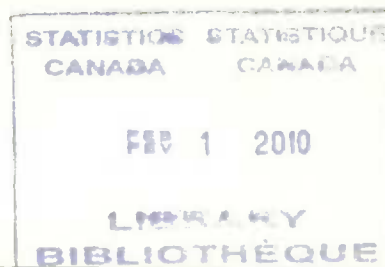
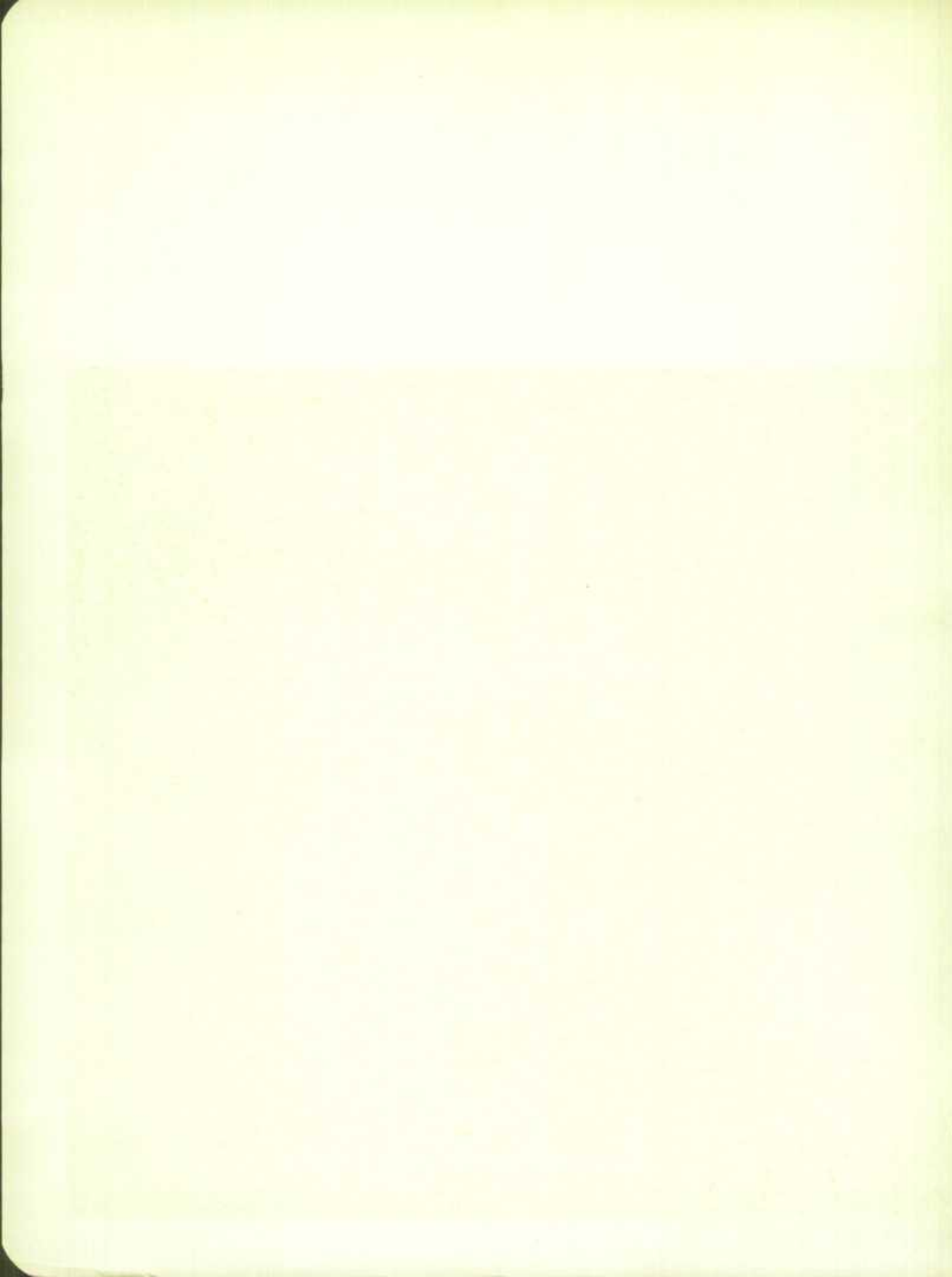


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The Canadian system of government financial management statistics





STATISTICS CANADA
Governments Division
Consolidation Section

THE CANADIAN SYSTEM OF GOVERNMENT FINANCIAL MANAGEMENT STATISTICS

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FOREWORD

This publication is a comprehensive background paper to financial statistics on government issued by the Governments Division of Statistics Canada. Its purpose is to facilitate and promote analysis of government financial transactions by describing the scope and limitation of the data currently available for this purpose.

The Canadian System of Government Financial Management Statistics comprises financial data on the federal, provincial and local levels of government and on their enterprises. While the various financial management series of statistics have been under development for many years, they do not at present constitute a complete system. For example, data on local government enterprises have not yet been developed and there are many demands for further detail on particular aspects of government financial transactions which cannot yet be met. Indeed, it is probable that the pace at which requirements for new and additional basic data are being generated will always exceed the rate at which demand can be satisfied. It is apparent that the gaps in current requirements must be eliminated as expeditiously as possible but at the same time, because of the rapidly growing use of statistics on government finance in analyses designed to provide an improved basis for policy and program formulation and administration, it is essential that steps be taken to ensure that the established statistical compilations be thoroughly understood. Accordingly, it is the hope of Statistics Canada that the information provided here on the concepts and framework of the System and the related methodology will be helpful in furthering analyses of government finance and in interpreting the data supplied within their inherent limitations.

SYLVIA OSTRY,
Chief Statistician of Canada.

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PART I

Introduction

1.00 The Canadian System of Government Financial Management Statistics currently comprises the following statistical publications:

A. Annuals

- (i) *Consolidated Government Finance – Federal, Provincial and Local Governments* (Catalogue 68-202)
- (ii) *Federal Government Finance* (Catalogue 68-211)
- (iii) *Provincial Government Finance – Revenue and Expenditure (Estimates)* (Catalogue 68-205)
- (iv) *Provincial Government Finance – Revenue and Expenditure* (Catalogue 68-207)
- (v) *Provincial Government Finance – Assets, Liabilities, and Sources and Uses of Funds* (Catalogue 68-209)
- (vi) *Local Government Finance – Revenue and Expenditure – Preliminary and Estimates* (Catalogue 68-203)
- (vii) *Local Government Finance – Actual* (Catalogue 68-204)
- (viii) *Federal Government Enterprise Finance* (Catalogue 61-203)
- (ix) *Provincial Government Enterprise Finance* (Catalogue 61-204)
- (x) *The Control and Sale of Alcoholic Beverages in Canada* (Catalogue 63-202)
- (xi) *Federal Government Employment in Metropolitan Areas* (Catalogue 72-205)

B. Quarterlies

- (i) *Federal Government Employment* (Catalogue 72-004)
- (ii) *Provincial Government Employment* (Catalogue 72-007)
- (iii) *Local Government Employment* (Catalogue 72-009)

1.01 Through these publications the Governments Division attempts to show the principal aspects of the involvement of government in the provision of goods and services. For the general government portion of the financial management series (see Paragraph 3.02), revenue is reported by source (or type), expenditure by major function and sub-function, and intergovernment transfer payments are isolated. The aggregates of revenue and expenditure of each level of government are reconciled with the corresponding income and expenditure data of the System of National Accounts (a system which is structured on different concepts and is set in a different framework).

1.02 Asset and liability data on general government are reported under conventional accounting captions but with considerable detail on intergovernment transactions. Extensive information is provided on outstanding security issues and a summary analysis of sources and uses of funds is under development. Steps are also being taken toward the linking of the financial management asset and liability data to the financial flows of the System of National Accounts.

1.03 The publications on government enterprises set out income, expenditure, asset, liability and equity data in general conformity with commercial reporting practices, with emphasis on the special relationships of the entities concerned with their parent government. The data are also presented within the framework of the Standard Industrial Classification¹ system.

1.04 The publications on employment provide detail on payrolls and on the number of persons employed in the various parts of general government, and in government enterprises.

1.05 The basic objective of the financial management system is to establish, to the extent feasible, uniformity and consistency in data relating to government financial transactions. Government financial reports are based on the organizational structures and accounting and reporting practices of the individual governments; there is, however, little uniformity in these matters. While some governments choose to discharge a given function through a departmental structure, others deem a Crown corporation, a special fund or an agency a more appropriate type of organization. Among governments, similar departmental titles do not necessarily imply responsibility for the same function, and a given operation may be regarded by an individual government as falling within one or other of several functions. Further, within any given government, the structures of departments, agencies and funds are in a continual state of change and development as new programs are introduced, existing ones amended, and as responsibilities are assigned and reassigned. Moreover, governments employ differing accounting conventions. Records on a cash basis find favour in some cases; in others the accrual approach is preferred, while in some a combination of both approaches is used. Some governments present their reports on a partially or

¹ *Standard Industrial Classification Manual* (Catalogue 12-501).

wholly net basis and some on a relatively complete gross basis. In addition, in local governments, fund accounting is still generally employed.

1.06 Because of the organizational fluidity within a given government, year to year comparisons of that government's financial transactions are often difficult to make unless numerous adjustments are made to the basic data. Intergovernmental comparisons are even less valid unless some standardization of basic data is effected. The objective of the financial management system is thus to establish from the various government financial reports data which are consistent and comparable or at least compatible in high degree.

1.07 There are many factors which preclude complete intergovernmental comparability of the data presented by the financial management system. Two major ones are (a) the divergences in the sharing or delegation of responsibilities between levels of government, and (b) the varying levels of services provided. No practicable approach has yet been found for adjusting data for the non-uniform participation of levels of government in the provision of a service. When ways and means of measuring the quantity and the quality of a service provided are adequately developed, a new dimension will be added to the intergovernmental comparability of financial data on governments. For the present, however, the resources of the Governments Division of Statistics Canada are being directed toward rendering available measures more useful through

the development of relatively stable concepts, definitions, classification systems and frameworks. These are the subject of this publication.

1.08 In the preparation of this publication a thorough review was made of the concepts, methods and principles currently employed in the preparation of the financial management series. This review has led to a number of changes in respect of general government and also in respect of government enterprises, as well as to consequential changes in respect of the employment series. These changes are dealt with in the ensuing pages and, while the whole of this revised schema will be "in place" in respect of 1973-74 statistics, some parts have been or are being implemented in respect of earlier data.

1.09 Because of these changes, the reader is cautioned that the financial management publications covering data on general government for earlier years do not conform strictly to the detailed structure outlined here. It is recognized that, because some of the departures represent a substantial break in the financial management series, there is an urgent need for a revision of prior years' data. A revision of this kind is, however, a major project and is unlikely to be completed for some time. Consequently, to assist users pending an overall historical revision, the Governments Division is undertaking to provide principal items of information required to adjust data for years 1965-71 to the new basis. This information may be obtained on request from the Governments Division, Statistics Canada, Ottawa.

Historical Background

Government Revenue, Expenditure, Assets and Liabilities

2.00 The first formal report of the Dominion Bureau of Statistics (now Statistics Canada) on government finance was issued for the year 1919. This was a report on municipal statistics derived from a survey of some 50 municipalities with populations over 10,000. In the preface to this report, R.H. Coats, Dominion Statistician, wrote as follows: "..... the first essential for comparative statistics is the adoption of a uniform system of municipal accounting and reporting. A memorandum outlining a system, and looking to co-operative action between the Dominion Bureau of Statistics and the Provincial Departments, was drawn up in the Bureau in 1918 and submitted to the Provinces. It was recognized, however, that the matter was complex and far reaching in scope, and that definite action would not be feasible without careful discussion of details, such as might take place at a conference of Dominion and Provincial officials."

2.01 Thus from the time of its creation in 1918 the bureau has been concerned not only with the production of financial statistics on government but also, in co-operation with federal and provincial governments, with the development and promotion of uniform classification and reporting systems for governments. The principal vehicle for this developmental and promotional work was, and continues to be, meetings between interested parties.

2.02 Following the release of the first statistical report for 1919, more complete reports on municipal governments were developed from expanded surveys and, commencing with the year 1924, annual data were published on cities and towns with populations of 10,000 and over. This coverage continued through to 1938.

2.03 Series on provincial government transactions were first released in the early twenties. In 1933 the first Dominion-Provincial Conference on Provincial Finance Statistics was held to arrive at some agreement on concepts and classifications and to promote better reporting. This first conference passed a resolution calling for the preparation by the bureau of a standard classification of accounts for use by the provinces. Accordingly, reporting schedules were devised and these, to a large extent, determined the format of both the publication on provincial transactions as well as that on municipal transactions.

2.04 Prior to the development of these reporting forms the bureau's principal sources of data on provincial government transactions were the provincial public accounts and supplementary statements which varied so widely from province to province in terms of coverage, classifications and terminology as to render the compilation of interprovincially comparable data an extremely difficult task. With the introduction of the standard reporting forms a degree of uniformity was achieved. Moreover, these forms were instrumental in the introduction of some measure of standardization in the provincial public accounts.

2.05 Work on the development, revision and improvement of uniform classification systems and reporting forms continued through a series of Dominion-Provincial meetings. Provincial statistics were the subject of such conferences in 1943, 1945, 1947, 1952, 1953 and a series of committee meetings during the period 1954-60. The first conference on municipal statistics took place in 1937 and was followed by others in 1940, 1947, 1948, 1953, 1958 and by a series of seven meetings in the period 1967-70. Annual meetings on municipal statistics were inaugurated in 1971. Standard reporting schedules for the provinces were issued and revised as appendices to the reports on the meetings. For municipal purposes a manual of instructions was first issued in 1942 and was subsequently revised in 1950 and 1960. A new manual was issued in 1970.

2.06 With the appointment of the Royal Commission on Dominion-Provincial Relations (Rowell-Sirois) in 1937 the bureau suspended the publication of its reports on government finance because of its involvement in statistical research studies for the commission. At the conclusion of this work, however, both the provincial and municipal series were updated in 1940.

2.07 Four conferences on provincial and municipal statistics were held during the period 1940 to 1945. Moreover, toward the end of the war the bureau participated in the preparation of background material for the Dominion-Provincial Conference on Reconstruction. The outcome of these activities was a significant revision of concepts and classification frameworks used in the statistical compilations of government finance.

2.08 The early provincial government statistics covered operations of departments, working capital funds (defined as organizations outside a departmental framework providing recognized government services) and reserve and certain trust funds. Current (as opposed to capital) revenue and expenditure were presented on a gross and net basis after adjustments to the data in the public accounts to provide interprovincially comparable information. These adjustments included uniform treatment of refunds, revenue deduced from expenditure, expenditure deducted from revenue, institutional revenue, revenue derived from the sale of alcoholic beverages, inter-fund and inter-department transactions; they also took account of the revenue and expenditure of administrative and certain trust funds and the net operating positions of working capital funds. The essence of these adjustments has been retained to date. Net current revenue and expenditure were arrived at by deducting from gross current revenue and expenditure conditional federal contributions, institutional sales revenue and interest receipts. The publication on provincial government finance also contained data on the assets and liabilities of general, capital and sinking funds; of trust, reserve and agency accounts; of administrative and working capital funds; and of liquor authorities.

2.09 Following the conferences of the early 1940's and the work for the Conference on Reconstruction, the provincial government universe was more clearly delineated; a number of administrative and special funds were included for the first time and a new classification framework was introduced to provide more detailed information on government operations. In addition, the concept of "general" revenue and expenditure was introduced in keeping with the revised concept of the government universe. However, the main statistical tables continued to pertain to ordinary (current) revenue only. Supplementary tables were introduced to show the combined current and capital transactions. These changes were implemented in the statistical report on provincial governments for 1946. This report also presented greater detail than was previously available on provincial government assets, liabilities and on direct and indirect debt.

2.10 Publication of municipal finance statistics was resumed for the year 1944. Besides reflecting the concepts and classifications of the 1942 "Manual of Instructions", the revised publication incorporated a number of other changes.

Data were now made available for all municipalities (on a provincial and national total basis) rather than for the larger urban municipalities only. In addition, the use of surveys to provide data was dropped in favour of the annual reports issued by departments of municipal affairs on the financial transactions of their municipalities or, where such reports were not available, copies of financial returns by municipalities to departments of municipal affairs. While this change in source data broadened the coverage to include the whole municipal universe and improved the quality of the data, it also resulted in a marked loss of timeliness. To compensate for this, a new stratified sample survey was introduced in 1949 to produce estimated data from the budgets for the present year and preliminary final data for the year immediately preceding, these data being inflated to produce provincial and national totals of municipal revenue and expenditure which were issued in a new annual publication. As in the provincial publications, the main tables showed current revenue and expenditure only, although, in time, more information on capital expenditure, transfers received and debt transactions was incorporated in the "actual" publication.

2.11 Commencing with data for 1950, the statistics on provincial revenue and expenditure and those on provincial assets, liabilities and debt were issued in separate publications. At the same time "general" revenue and expenditure were redefined to include ordinary (current) as well as capital transactions. This move was in accord with the growing provincial practice of financing capital undertakings out of current revenue. However, detail on capital account transactions continued to be made available until 1957 when the practice was discontinued because a number of provincial governments had, in effect, ceased to distinguish between ordinary and capital accounts.

2.12 The first in the series of reports on federal government financial transactions related to 1953. Data were subsequently released for 1945, 1951 and 1952. In matters of concept, classification frameworks, terminology and methodology, the publications on federal government finance reflected the developments in the corresponding areas of provincial data.

2.13 With the establishment of data on federal finance, government consolidated data became feasible and the first issue of such data was in respect of 1954. Consolidation of data meant

the establishment of combined government totals for similar items after the elimination of transactions between the governments concerned. From the outset the purpose of this consolidation has been to show the revenue, expenditure and debt of government as a whole.

2.14 From 1954 to 1961 only data consolidating all three levels of government were published. Thereafter, a separate provincial-municipal consolidation was included in the publication.

2.15 With the growing incidence of intergovernment capital transactions during the sixties and the absence of adequate identification of such transactions, the bureau ceased publishing data purporting to be consolidated direct and indirect debt for the year 1965 onwards. More recently there has been a gradual improvement in the identification of intergovernmental debt transactions and the bureau is hopeful of compiling meaningful consolidated asset and liability data in the near future.

2.16 The concept of "general" revenue and expenditure as established for the 1950 publication on provincial government finance remained unchanged during the ensuing 15 years. Commencing with publications for 1965-66 however, this concept was redefined to exclude "non-revenue" receipts and "non-expense" payments. At the same time the concept of "cost of services" replaced "net general expenditure". The latter lost much of its meaning in 1965 when Quebec "opted out" of several joint federal-provincial programs, in respect of which federal conditional grants were payable, and received in lieu thereof federal income tax abatements and other fiscal compensation (see Paragraph 5.16). The concept of "cost of services" was introduced to mitigate the loss of interprovincial comparability of data arising from the new federal fiscal arrangements with Quebec.

2.17 From the foregoing it is apparent that, while the broad statistical content of the bureau's publications on government finance was substantially developed during the 1930's and 1940's, the bureau's output in the late sixties was significantly refined over that of the earlier period. By that time the government universe was considerably expanded, particularly at the local level where transactions of school boards and other non-municipal local governments were included in both the "estimates" and the "actual" publications, the practice of "looking beyond" the mere administrative structure of government or its budgetary framework was well established, a

fairly clear dichotomy between general government and government enterprises was drawn, capital transactions were combined with ordinary or current transactions in keeping with the general disappearance of fund accounting at the provincial level, and the relatively brief and simple classification frameworks of the earlier years were restructured to reflect the enlarged scope and sophistication of government undertakings. Finally, production of regional (i.e., sub-provincial) data aggregations commenced with the separate tabulation of data for each of the metropolitan and major urban areas in the local government preliminary and estimates publication.

2.18 During the late sixties it became clear that, notwithstanding the achievements of the past, further refinements were highly desirable. Heretofore the relationship between the government universe for revenue and expenditure purposes and that for asset and liability purposes had been a loose one and it was evident the two should be reconciled. Work in this respect is now in progress. Work is also under way to make the asset and liability data more useful. At the federal and provincial levels, asset and liability data for 1969-70 have been presented in considerably expanded detail with particular emphasis on intergovernmental transactions. In addition, statements on sources and uses of funds for these two levels of government have been provided for 1969-70. Similar innovations are pending in respect of the local government balance sheet data. Moreover, in recognition of the need for integrating the government financial management data with corresponding data on the bases of the system of national accounts, reconciliations are being introduced into the various publications.

2.19 While the achievements over the past few decades have been significant, it is clear that the time span required has been greater than desirable. Yet it must be recognized that the subject area concerned is very complex, and one in respect of which there are few finite answers. Change and development in this area receive their greatest impetus from a basic philosophy which evolves and is accepted gradually. For instance, for many years the individual levels of government had relatively high degrees of autonomy; the reliance of one government upon another was minimal; consequently the need for intergovernmentally comparable and compatible data was not critical. Today the situation differs substantially. Demands for services are high and all governments are pressed for financial resources. In addition, it is recognized that

to resolve current difficulties there is a growing need for complementary policies and programs and for greater intergovernment co-operation than ever before. The general atmosphere today is thus more conducive toward the supply by individual governments of data essential to the making of decisions of national, provincial and local consequence. The bureau is therefore hopeful that the pace at which it is able to build up the required pool of statistics will accelerate.

Government Enterprises

2.20 From the early 1920's the bureau has published data on the transactions of provincial liquor boards and on the sale of alcoholic beverages in Canada. In these early years, the report covered a substantial proportion of the provincial government enterprise universe. However, the rapid expansion of provincial government commercial activities which began after the Second World War, and the attendant proliferation of provincial government agencies established to carry out these activities, eventually made it necessary to assemble a report of a more comprehensive nature. For the year 1958, a publication was released on the transactions of provincial government agencies which were identified and classified as carrying out operations of a commercial nature.

2.21 A corresponding publication on federal government enterprises was also first issued in respect of 1958 and both the provincial and the federal publications have been continued annually since that time. An equivalent publication on local government enterprises is under development.

Government Employment

2.22 Statistics on employment and payrolls in the federal public service have been published continuously in one form or another commencing with data for the fiscal year 1924-25. For the period 1924-25 to 1951-52, only annual data

were compiled. Commencing in April 1952, monthly data became available. In July 1967, monthly releases were discontinued and a new report called *Federal Government Employment* (Catalogue 72-004) was introduced. This publication provides essentially the same detail as hitherto but at quarterly rather than monthly intervals. This report shows the number of employees in and the payrolls of the federal government public service and related bodies. Detail is shown by function of expenditure as well as by occupational classification. The federal employment quarterly series is complemented by an annual publication, first published in respect of 1960, which deals specifically with federal government employment in metropolitan areas.

2.23 In the provincial area, compilations on employment and payrolls were started in 1949 for all provinces except Newfoundland, Quebec and Manitoba. In 1952, data for Newfoundland and Manitoba became available. These compilations were prepared primarily for the provinces concerned. A quarterly report providing the data for all provinces (except Quebec in respect of which source material was still unavailable) was first released in 1959. In 1963, source material was obtained from Quebec, and data for that province were included in the report. The format of the provincial government employment publication closely parallels that of the correspondent publication on federal government employment.

2.24 Commencing with 1967, data have been published regularly at quarterly intervals on employment and payrolls in municipal governments. The data in this report are broken down by broad municipal population size ranges and distinguish between employees in general services and waterworks operations. A special publication of the bureau entitled *Municipal Government Employment* (Catalogue 72-005) provides back data for this series for the years 1961 to 1966 inclusive.

The Statistical Coverage of the System

Introduction

3.00 The financial management system is designed to encompass the operations of all governments in Canada. The system recognizes three levels of government — federal, provincial/territorial, and local. The federal level comprises the Government of Canada and its special funds and agencies, the provincial/territorial level, the governments, special funds and agencies of the ten provinces and two territories, and the local level, the governments and agencies of municipalities, the local school authorities, and the special purpose boards.¹

3.01 The term “agency” is used to describe the numerous and widely-varying entities created by individual governments, or by a number of governments acting jointly, to carry out certain assigned tasks. These agencies can be classified in many ways — by assigned role, by administrative format, by operational methods, etc. For purposes of government financial management statistics, however, only two categories are significant — agencies which are enterprises and agencies which are merely specialized extensions of departmental organizations. Thus, there are two statistical universes: the general government universe and the government enterprise universe.

The General Government Universe

3.02 The general government universe includes all government administrative bodies except those which are specifically excluded. More precisely, general government comprises:

- (a) departments of government;
- (b) administrative, regulatory and special funds which perform functions similar to those of departments and which may be organized as boards, commissions or agencies. This group includes quasi-trust accounts the funds of which are available for government use. It also includes government social insurance programs such as those pertaining to unemployment insurance, workmen's compensation and vacation-with-pay;
- (c) agencies engaged in “industrial” or “commercial” type of activities primarily to service the requirements of their own governments, and agencies engaged primarily in

the channelling of funds from one level of government to another or among organizations at the same level of government, e.g., bodies established by provincial legislation to help finance the capital programs of municipalities and school boards;

- (d) government-owned institutions such as those engaged in education, health and welfare services, or administration of justice, e.g., agricultural schools, residences for handicapped persons, gaols, etc.;
- (e) universal pension programs (Canada and Quebec pension plans);
- (f) non-trusted public service pension plans, i.e., plans, the monies of which constitute an integral part of a government's consolidated revenue account or which are otherwise available to the government in the financing of its operations;
- (g) working capital funds;
- (h) local government water works and any other local government “utility” which does not clearly constitute an enterprise as defined for purposes of the financial management system.

3.03 While the above description of the general government universe does not differ in substance from that employed for some time in the compilation of financial data on governments, this description is now given a very much enlarged interpretation. Previously the operations of the federal Unemployment Insurance Commission were only reported as a supplement to the main body of statistics on that government. Data on workmen's compensation boards were provided only to the extent of government payments to these boards. The operations of the Canada and Quebec pension plans were reflected only to the extent of government contributions as employers. After careful consideration it was concluded that, notwithstanding the special nature of these programs, they are an integral part of general government.

3.04 Heretofore the financial management series dealt with non-trusted public service pension plans at the provincial level on a net basis, i.e., contributions to a non-trusted plan were offset against pension payments or vice versa. At the federal level, however, the operations of the Public Service Superannuation Plan and those covering the RCMP and the Canadian Forces were included only to the extent of government

¹ See *A Financial Information System for Municipalities, Volume I* (Catalogue 12-532).

contributions. Upon reassessment, it was concluded that the full operations of these plans are an integral part of general government. Moreover, under the revised approach to the financial management series, all data are presented on a gross basis. Consequently for non-trusted plans the offsetting of employee contributions against pension payments or vice versa is now discontinued. The only involvement of governments in trusted pension plans continues, as in the past, to be their expenditure on contributions as employers.

3.05 The statistical coverage of all parts of the universe referred to in Paragraph 3.02 except those under items (d) and (g) is virtually complete within the established framework of the financial management series. The statistical detail on government-owned institutions, however, still requires development. Currently, data on a parent government's direct financial involvement with its institutions are readily available and are taken into account. Detail on an institution's own transactions, however, is not always available for incorporation into the government statistical universe. The institutions in question generally obtain incidental revenues which are normally applied against their operating costs but information on the amount of such revenues is often difficult to establish. Likewise, in some cases only very limited information on the expenditure transactions of certain institutions is available. Developmental work in this connection, however, is in progress.

3.06 Working capital funds (item (g)) are usually characterized by quasi-commercial activities which are similar to the operations of government enterprises. However, these funds engage primarily (if not solely) in selling to government departments, agencies or other bodies comprising part of the government universe; their sales are not made to the general public. Thus they do not meet the enterprise criteria² and their transactions with other parts of the government universe are regarded as being not at arm's length. Their operating profits are deemed to result from an "overcharging" and they are not brought into revenue but are offset against related expenditure functions of government. Conversely, the operating losses of working capital funds which are normally written off by an appropriation or a transfer from the parent body are regarded as direct operating costs of the parent body, and are added to the functions

of expenditure most closely related to the functions of the funds. Thus the transactions of these funds are reflected on a net basis only.

3.07 Hence, while most governments report on their transactions in relation to a budgetary and non-budgetary framework, or, as in the case of local governments, on a fund basis, the financial management series largely discounts these arrangements in favour of an all-inclusive approach. It is this broad coverage by the financial management series that gives rise to the term "general" in respect of government revenue and and expenditure.

3.08 Excluded from the general government statistical universe are (a) the commercial operations of government which meet the criteria of a government enterprise (see Paragraph 3.09), and (b) trust funds.

The Government Enterprise Universe

3.09 A government enterprise is an organized entity, usually corporate, which (a) is established by a political decision-making body to produce goods and/or services for sale on the open market at a price related to costs, (b) maintains an independent system of accounts that permits the charging of specific elements of costs against the revenue derived from its sales of goods and/or services, (c) has a relatively autonomous management in the conduct of day-to-day operations, and (d) is staffed by personnel not normally subject to the statutory requirements governing employment in the general public service.³ These criteria are not given equal weight in assessing the eligibility of a government agency for enterprise status. The first two are essential, while the last two are useful in confirming what the first two establish. Difficulties in classification do arise, however, if not all qualifications are met. In such cases, the deciding factor is whether or not there is a free choice in purchasing the goods and/or services provided. If the choice does not exist, the organization is treated as a special fund and hence as an integral part of government rather than a government enterprise.

3.10 Certain government agencies are specifically precluded from enterprise status. These are entities engaging primarily in the channelling of funds from their own to other levels of government or among organizations at their own level of government and those engaging in industrial or commercial activities primarily to service the

² See Paragraphs 3.09 and 3.10.

³ With the possible exception of certain specific matters such as retirement benefits.

requirements of their own government (see paragraph 3.02, sub-paragraph (c)).

3.11 At the local government level, water-supply operations, in some cases, appear to meet the enterprise criteria. However, the element of "free choice" is not normally present; the public is usually required to subscribe to the water supply provided in a given area. Moreover, in many cases water-supply operations are not organized along enterprise lines. For financial management statistics, they are all regarded as an integral part of general government.

3.12 In addition to the classification difficulties noted in the above paragraphs, one further point deserves mention. This pertains to the distinction between a government enterprise as such and an investment by general government in a commercial-type operation. Cases arise where a given commercially-oriented operation meets all the government enterprise criteria except that which requires that it be "established by a political decision-making body", e.g., where a government acquires an existing corporation. Notwithstanding the absence of this criterion, it may be clear that it is government owned and operated. In such case, the operation is unquestionably a government enterprise operation. However, there may be varying degrees of government ownership and operating involvement. In cases where the government concerned owns over 50% of the voting stock, the organization is classed as a government enterprise. Where government ownership is 50% or less, the organization is not classed as a government enterprise; government capital outlays to the organization are classed as "investments" and income from such investment is classed as "return on investments" of general government.

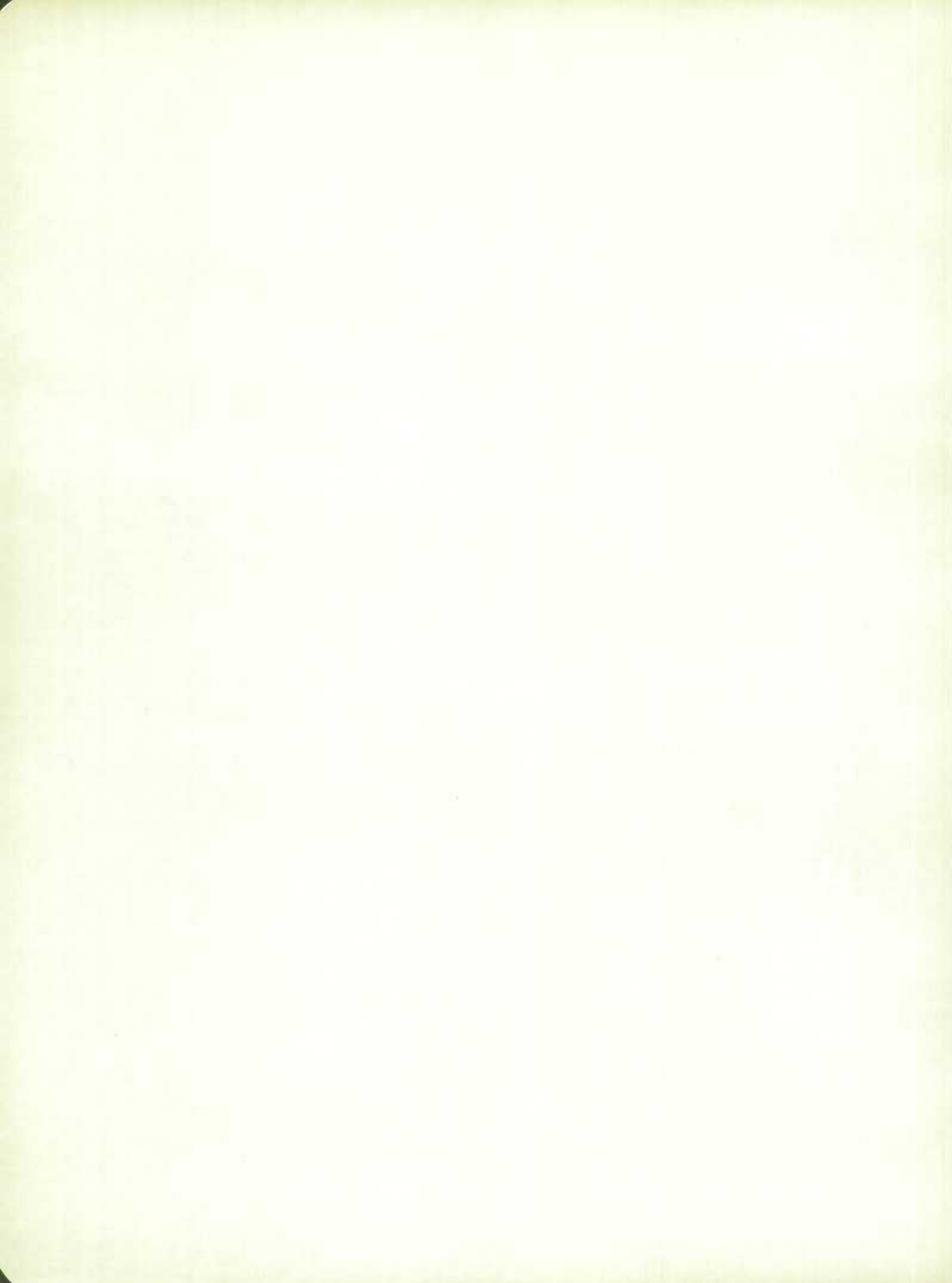
3.13 Subsidiaries of government enterprises, to the extent that over 50% of their stock is owned by a government enterprise or government enterprises, are deemed to be government enterprises. They are subject to the conditions and treatment set out in Paragraphs 3.09, 3.10 and 3.12.

3.14 There are agencies which are dual capacity organizations in that they are enterprises carrying out enterprise-type operations, and also act in an administrative capacity on behalf of their parent government. An example of this type of body is a provincial liquor board, which carries on commercial operations, and, in addition, carries out, on behalf of the parent provincial government, the regulatory aspects of provincial liquor control. In such cases, the results of the commercial operations are included in the government enterprise series, while expenditure related to the performance of the administrative duties, and any revenue derived therefrom, are treated as general government transactions.

3.15 A current list of the entities treated as federal and provincial government enterprises is set out in Appendices D and F respectively.

Trusts

3.16 Statistically, the most significant trusts which relate to government finance are those established by some of the provinces in respect of public service pension plans. These fully trustee plans are deemed to fall outside the ambit of the government financial management system. Data on trustee pension plans (whether government or non-government) are published annually by the Pensions Section, Labour Division of Statistics Canada. (See *Trusteed Pension Plans. Financial Statistics* (Catalogue 74-201).) It will be recalled that non-trusteed pension plans are included in the general government universe, (see Paragraph 3.02).



Sources of Basic Information

Government Revenue, Expenditure, Asset and Liability Data

4.00 The principal sources of data on the actual revenue, expenditure, assets and liabilities of governments which form the basis of the Canadian System of Government Financial Management Statistics are the published financial reports of the various governments. While most of the federal, provincial, and territorial data are obtained from their respective public accounts, municipal and school authority data are normally obtained from the annual reports issued by provincial and territorial departments of municipal affairs and education. These reports, which aggregate the financial data for all municipalities or school authorities in a particular province or territory, are used in conjunction with the individual reports of the larger local governments. Further information required to complete coverage of the universe is obtained from reports of special funds and agencies and of individual federal and provincial departments. Additional detail may be obtained by direct communication with particular entities.

4.01 The annual reports on federal and provincial estimates are based primarily on the main estimates presented by the governments concerned and on the budget speeches which generally accompany them. For the local level, estimates are derived from surveys. Information obtained in response to a stratified sample survey is extrapolated and inflated to produce data for the municipal component of the local government universe in each province. Estimates for school boards are derived from a survey on capital expenditure, information from the various departments of education and a special survey of certain school boards. Supplementary information is also obtained from provincial government budget speeches and estimates.

4.02 For the annual reports on provincial government estimates, it is the practice to substitute for provincial information on certain revenue items corresponding information obtained from federal sources. The revenue items concerned are (a) provincial share of federal estate tax, (b) provincial share of federal corporation tax on power utilities, (c) provincial share of federal tax on corporation undistributed income, (d) remittances by the federal government of provincial personal and corporation income tax in accordance with the tax collection agreements, and (e) general purpose transfer payments from the federal government. It is considered that the

federal government is in a preferred position to make estimates of these amounts and the substitution is made in the interest of optimum inter-provincial comparability and compatibility of data.

4.03 A similar substitution of provincial transfer information in the annual publications on local government is not made, primarily because of the difference in year-ends of these two levels of government. However, the provincial information is used to corroborate the information obtained from local government documentation.

4.04 In all instances, various estimating techniques are employed as and when required to complete essential data.

4.05 The annual publication on consolidated government revenue and expenditure is based on corresponding data relating to the actual transactions of the federal, provincial and local levels of government. In the process of consolidating the transactions of different levels of government, intergovernmental transfers are eliminated to obviate double counting. The resulting data represent the total unduplicated revenue raised, and the total unduplicated expenditure made by the consolidated levels of government.

Government Enterprise Data

4.06 Data on federal, provincial and territorial enterprises required for financial management statistics are obtained primarily from the financial reports of these enterprises. Additional and supplementary information is obtained from the public accounts of the parent governments, from reports of the departments through which the enterprises report to their legislatures, and through direct communication with the enterprises.

4.07 While data on local government enterprises are not being compiled at present, financial reports of many of these enterprises are being received with those of their parent municipalities. In addition, selected and usually highly aggregated financial data are collected by other divisions of Statistics Canada as supplementary to their principal requirements for information on physical output. It is intended to expand both sources of information to obtain complete coverage of financial management data for local government enterprises as soon as the necessary resources can be acquired.

Government Employment Data

- 4.08 Reports on federal government employment and payrolls are prepared from special tabulations made by the federal Department of Supply and Services based on a master file which is kept current through monthly reports on new hirings, staff transfers and severances. Employment data on agencies are obtained from agency reports.
- 4.09 The corresponding report on the provincial governments is based on monthly questionnaires and on data prepared by some provincial governments for their own purposes.
- 4.10 Employment and payroll data for local governments are restricted at present to the general government operations of municipalities. The numbers of employees (and their earnings) of

most municipalities remain relatively constant throughout the year; however, there are marked seasonal variations in municipalities with populations over 10,000. Partly for these reasons and partly to meet the requirements of other divisions of Statistics Canada which utilize employment and payroll data, this information is acquired from municipalities in three different ways. Large municipalities (i.e., the group with populations of 10,000 and over) are canvassed monthly; small municipalities located within metropolitan areas are surveyed quarterly while the other small municipalities are surveyed annually on a sample basis. In all cases, municipalities may substitute their own tabulations for Statistics Canada questionnaires where these tabulations provide the required data.

PART V

General Government Revenue and Expenditure

Introduction

5.00 The term "general" as used in respect of revenue and expenditure is an important qualification. As already explained, in endeavouring to present comparable statistics on the transactions of the various governments and on the interrelationships existing among levels of government, the financial management series deals with the broad spectrum of government activities. It consolidates the transactions of the various bodies deemed to come within the ambit of the government universe and the resulting picture that emerges is said to relate to "general" government. "General" government thus transcends the boundaries of government departments to take in all boards, commissions, funds and other agencies which perform functions of a "governmental" nature (see also Paragraph 3.07).

5.01 The terms "revenue" and "expenditure" used in the financial management series relate to the transactions of a particular year only and not to those of a previous or forthcoming year. Although "revenue" has wide usage and acceptance, there does not appear to be any completely satisfactory definition of the term for the financial management series. In the latter context, revenue includes (a) proceeds from taxation and from the sale of goods (including fixed assets) and services, (b) contributions of employers and employees to universal pension schemes, (c) contributions of employees and employers (other than government itself) to the non-trusted pension plans and social insurance programs operated by government, (d) receipts in respect of privileges, licences, permits, fines and penalties, (e) transfers from other levels of government, and (f) return on investments. Capital repayments to government and monies raised by government through any form of borrowing are not considered as government revenue. A general definition of "expenditure" is somewhat easier to establish. In broad terms, government expenditure encompasses all outlays made or to be made in the acquisition of goods and services and in the provision of services including transfers to other levels of government. It includes outlays made or to be made to acquire capital assets but excludes payments to retire outstanding indebtedness; it also excludes loans, advances and other investments.

Gross General Revenue and Expenditure

5.02 Because governments report on their transactions in many different ways, numerous adjustments to basic data are essential in order to establish intergovernmental comparability and to arrive at the special concept of "gross" used in the financial management system. A clear understanding of this concept of "gross" requires an appreciation of the special meanings which certain expressions carry in the context of the financial management system and of the statistical treatment accorded particular transactions. Accordingly, explanations in respect of these expressions are set out below.

5.03 Refund of revenue — This is a repayment or a pending repayment of monies from government to an individual or a body, corporate or not, as a result of the nullification of a prior transaction or in recognition of the fact that the amount involved was originally obtained by way of overtaxation or overcharge for goods sold or services rendered. A refund of revenue pertaining to the current year is a deduction in arriving at gross general revenue. If it relates to previous years, it affects neither gross general revenue nor gross general expenditure but is taken into account in drawing up the government balance sheet for the current year. (A refund of revenue should not be confused with a recovery of expenditure, see Paragraph 5.04).

5.04 Recovery of expenditure — Two different concepts are involved. First, an amount recovered which partially or totally nullifies an outlay of the current year is deducted from that outlay in calculating gross expenditure. To the extent that it is the recovery of a prior year's expenditure, it is taken into account as a balance sheet adjustment in the current year. Secondly, where revenue is generated by an operation on which an expenditure was made, this revenue is classified as such; it is not applied to reduce the expenditure. Revenue of this type is similar to "institutional" sales revenue. Many governments accord this type of revenue the same treatment as in the first mentioned case but in the financial management system, where such netting is identifiable, these recoveries are included as revenue and not as a reduction of expenditure.

5.05 The meaning given to "recovery of expenditure" (above) is very different from that given the same expression in the financial statements of certain governments. In the latter cases, "recovery of expenditure" frequently refers to amounts received (generally from other governments) in respect of shared-cost programs. In the financial management series, such transactions are designated as transfers from other levels of government and the expression "recovery of expenditure" is reserved for cases described in Paragraph 5.04.

5.06 Rebate of revenue — This is an amount remitted by a government to an individual or a body, corporate or not, with the view to cancelling in whole or in part the effect of a tax imposed by another level of government which transfers to the remitting government some portion of its proceeds from that tax. An example of this type of transaction is the payment by a province to the estate of a deceased domiciled in that province of an amount representing a portion of the federal estate tax transferred by the federal government to that province. This type of transaction is reflected in gross general expenditure; it is not "netted" in arriving at gross general revenue.

5.07 Forgiveness of revenue — This is an exemption from tax otherwise payable; no collection actually takes place. It is not reflected in government gross general revenue nor in gross general expenditure. This situation is encountered almost exclusively at the local level of government.

5.08 Institutional sales revenue — In the performance of its role as a provider of public goods and services, government may partially recover certain costs which are usually incidental to the discharge of the function to which they relate. For instance, government derives revenue from the sale of goods and services by certain institutions that it owns, finances, and operates, such as hospitals, residences for handicapped or aged persons, schools, farms and prisons. Such revenue may consist of proceeds from the sale of farm produce and commodities manufactured by inmates of prisons or residences for handicapped or aged persons, of board and lodging and/or tuition fees charged to government employees, hospital patients or students, or of receipts from the sale of books, supplies and food from government canteens and cafeterias. It can also include fees for the performance of technical services. Rentals of goods and services by institutions also constitute institutional sales revenue. Proceeds from these transactions are often

of a nominal amount and generally bear little relationship to the true costs of the goods and services provided; in many cases, they result from attempts by the institutions concerned to achieve some other purpose, such as providing meaningful activities for their inmates or discouraging abuses of the services or facilities provided. Often this kind of revenue is netted out of the expenditure to which it relates in government financial reports. In such cases, in order to obtain a more comprehensive picture of government transactions, this revenue is included in gross general revenue and an equivalent amount is added in arriving at gross general expenditure.

5.09 Commissions — Where identifiable, commissions earned by agents are included in gross general revenue and in gross general expenditure.

5.10 Loans treated as expenditure — Loans that are unlikely to be repaid are included in gross general expenditure when acknowledged by the lending authority to have become uncollectable. The amounts forgiven in the year in respect of loans carrying forgiveness clauses are also included as gross general expenditure. In these cases the original debtor is deemed to have received a transfer in the amount concerned.

5.11 Thus, government gross general revenue is total government general revenue as described in Paragraph 5.01 plus certain recoveries of current year expenditures,¹ institutional sales revenue and commissions, less refunds and forgiveness of current year revenue. Government gross general expenditure is total government general expenditure as described in Paragraph 5.01 plus certain recoveries of current year expenditure,¹ an amount equal to institutional sales revenue which is netted out of expenditure in source documents, rebates of revenue, commissions, and loans written off in the year.

5.12 In government financial statements which serve as basic source documents, refunds of current year revenue are often already deducted from revenue. Consequently no further adjustment on this account is required in compiling the data. For instance, federal income tax and general sales tax are reported in the federal public accounts net of refunds. However, where current year refunds are reported separately in source documents as expenditure, it is assumed

¹ See Paragraph 5.04.

that corresponding amounts are included in revenue and these refunds are deducted to arrive at gross general revenue.

5.13 While government revenue at the federal and provincial levels is reported largely on a cash basis, property tax revenue of local government is reported on an accrual basis; i.e., the total amount assessed is included in gross general revenue regardless of collections. This constitutes an important statistical difference between the local and the other levels of government.

5.14 A major departure in the financial management series from the usual reporting practice of government is the treatment of those local government capital outlays which are financed through the issuance of long-term debt. Local governments normally treat such acquisitions of fixed assets as balance sheet transactions and record the payment of interest on the debt and the repayment of its principal as expenditure. In the financial management series, however, local government capital outlays are treated in the same way as those of the federal and provincial governments; i.e., they are treated as expenditure at the time of purchase, regardless of how they are financed. In addition, only interest on related debt is classified as expenditure; retirements of principal are treated as balance sheet transactions.

Net General Revenue and Expenditure

5.15 As was explained in Part II, net general revenue and expenditure were at one time principal concepts of the financial management statistical system. These concepts focussed attention on government revenue from own sources and on the use made of this revenue in discharging government responsibilities. The emphasis was on following through the revenue-gathering process to the ultimate utilization of its proceeds in discharging functions that were the responsibilities of each government.

The adjustments made to arrive at net general revenue and net general expenditure were as follows:

- (a) interest, discount and foreign exchange revenue were deducted from gross revenue and from gross interest expenditure;
- (b) institutional sales revenue was deducted from gross revenue and from gross expenditure on related functions;

- (c) conditional transfers from other levels of government were deducted from gross revenue and from gross expenditure on related functions.

As long as the exercise of the taxing and spending powers of governments at the same level remained essentially the same, the use of these concepts for intergovernment comparison purposes remained valid notwithstanding that the net data included unconditional transfers from other levels of government. At the individual level of government, no adjustments were made in respect of unconditional transfers from other levels of government because it was not possible to allocate them to particular functions of expenditure. Hence, while in practice the net general revenue concept provided a valid measurement of revenue from own sources, the possibility of making an adequate approximation of the utilization of that revenue diminished as the proportion of unconditional transfers in net general revenue grew in relative importance.

5.16 Pursuant to the Established Programs (Interim Arrangements) Act of 1965, the provinces were given the option of continuing to share responsibilities with the federal government in respect of certain major programs or of assuming the full burden of these programs and receiving in return a greater share of the personal income tax field and other fiscal compensation. Quebec alone favoured the second alternative and assumed responsibility for all programs in respect of which personal income tax abatements were made available and for one program (forestry) in respect of which unconditional transfers replaced the cost sharing arrangements that had previously prevailed. Thus, Quebec's revenue from own sources plus unconditional transfers was substantially enlarged while its revenue from conditional transfers decreased. Its position in terms of net general revenue and expenditure relative to that of the other provinces became meaningless. Hence, with the introduction of differing federal-provincial fiscal arrangements, the value of data on a net general basis for interprovincial comparisons was brought into serious question. It is now considered that interprovincial comparison of individual revenue sources and expenditure functions are better made on a gross basis, and complete comparability of revenue can be achieved only at the aggregate level. Currently, the net concept is used solely in respect of provincial

government revenue as supplementary information to meet the special requirements of certain users.

Intragovernment Transactions

5.17 Transactions among departments, special funds, agencies, boards and commissions of the same government are generally represented in government reports as normal arm's-length transactions. However, since for statistical purposes, such special bodies are not regarded as entities in their own right, their operations are considered an integral part of general government. Their accounts are, therefore, consolidated with those of departments of their parent government, and in the consolidation process interfund transactions are eliminated.

5.18 This "interfunding" operation is well exemplified by the treatment in the financial management series of money flows in respect of certain provincial medical care insurance programs which are operated by special government boards or commissions. In the reports of the provincial governments concerned, contributions by the government, as an employer, are recorded as normal expenditure. These contributions along with those made by other employers and by employees constitute revenue of the special body but for financial management purposes it is the practice to "look through" the existence of the special body. Hence, the government's own contribution is offset against corresponding revenue of the special body and the balance is treated as government revenue while the special body's expenditure is treated as government expenditure.

5.19 The same principles are followed in respect of other social insurance programs (workmen's compensation, vacation-with-pay), the Canada and the Quebec pension plans as well as a host of other special funds, agencies, commissions and boards which are deemed to form an integral part of general government operations.

5.20 The principal point to recognize is that, where a government makes a contribution as an employer to a program administered by its own special fund, it is only that particular government's contribution (expenditure) that is offset against the fund's revenue; contributions by other governments (e.g., the provincial government contributions to the Canada Pension Plan) are treated as revenue.

5.21 Where the year-end of special bodies is not the same as that of their parent government (March 31 for the federal and provincial governments and generally December 31 for local governments) the normal practice, for financial management purposes, is to consolidate into the general government accounts the accounts of such special bodies for their fiscal year ended nearest the particular year-end of their parent government.

5.22 There are, however, two significant exceptions to this general rule, namely, (1) where amounts recorded in the parent body's accounts as outflows to, or inflows from, a special fund differ from corresponding amounts in the records of that fund, it is the practice to substitute for the amounts shown by the latter, those shown in the records of the parent body, and (2) where quarterly financial statements are available on major special funds (e.g., some medicare funds) it is the practice to use such statements to adjust the special funds accounts to the fiscal period of their parent government.

5.23 The practice of interdepartmental or other intragovernmental billing is a fairly common one and to the extent that such billings are not specifically identifiable in the basic data source documents, proper consolidations of the accounts are precluded. Thus, some overstatement of government revenue and expenditure is inevitable in the financial management series. However, this overstatement is of little statistical significance.

General Government – Government Enterprise Transactions

5.24 While one of the criteria of a government enterprise is profit orientation,² frequently such enterprises do not in fact realize a profit on their annual operations. Thus, one of the common transactions between government and its enterprises is the payment by the former of an amount required to write off the deficit of the latter. This is classified as a straightforward government expenditure, i.e., "transfer to own enterprises".

5.25 Where a profit is realized by a government enterprise, the amount included in general government revenue is the actual remittance to government by the enterprise and not necessarily the full profit of the enterprise. This approach has been standard for many years in

² See Paragraph 3.09.

respect of all enterprises except the provincial liquor control boards or equivalents thereof. In the publication *Provincial Government Finance — Revenue and Expenditure* (Catalogue 68-207) covering data for the years prior to April 1, 1969, the total profits of liquor boards were brought into government revenue, whether remitted or not. Adjustments were also made to isolate and bring into the government revenue the proceeds from the discharge of the regulatory functions for which most of the provincial boards are responsible. Thus, only the retail sales operations were shown in the enterprise universe. Commencing with the publication covering data for 1969-70, only the remitted profits of liquor boards are brought into general government revenue in keeping with the normal practices in respect of other enterprises. The regulatory aspects continue, as in the past, to be treated as an integral part of the general government universe and they are excluded from the statistical reports on government enterprises.

5.26 Where in a given year an enterprise receives from its parent government payments on account of deficits and makes a remittance of profit in that year, only the net amount concerned is brought into general government revenue or expenditure, as the case may be.

5.27 It is a general practice for governments to make loans to their enterprises and to receive interest payments in respect thereof. Such interest revenue is recorded in the financial management series covering general government under the caption of "return on investments".

5.28 Similarly, when a government provides financial assistance by way of subsidy or otherwise to a class of industry in which one of its own enterprises operates and the enterprise in question qualifies for such assistance, the amount involved is regarded as normal government expenditure on the function concerned and as normal revenue of the enterprise.

Transactions with Trusts Excluded from the Government Universe

5.29 The principal trusts involved in transactions with general government are the public service trustee pension plans. In respect of these, general government "contributions as an employer" are included in the financial management series as expenditure of government. This is normally the full extent of government financial involvement with these trustee plans. However, if under the terms of the trust indenture, the

government meets other obligations, these are also recorded as government expenditure.

5.30 In addition to the public service trustee pension plans, there are also other trusts which are reported on by governments but which are, by definition, excluded from the financial management government universe. The extent of general government transactions with such entities is very limited and of little statistical consequence. However, all such transactions that are identifiable are recorded in the financial management series as miscellaneous revenue or expenditure, as the case may be.

Intergovernment Transfers

5.31 A transfer payment is a conveyance of monies for which the transferor receives no direct benefit.

5.32 The differentiation between types of transfers was introduced with the concepts of net general revenue and expenditure; transfers with some condition attached (conditional transfers) such as grants-in-aid and payments in respect of joint or shared-cost programs were functionalized in the transferor's expenditure and were set out separately in the transferee's revenue. An essential step in arriving at net data was the deduction from gross data of the amounts of conditional transfers paid or received. (See Paragraph 5.15.) On the other hand, unconditional transfers which were those "without strings attached" could not, because of their nature, be allocated to particular functions and were simply isolated in expenditure or revenue as applicable.

5.33 With the growth in the number and variety of intergovernment transfers, it became increasingly difficult to categorize particular transfers on the original broadly-defined criterion, and in the publication *A Financial Information System for Municipalities* a more specific criterion was set out. This publication explains that a conditional transfer is a transfer which the transferee is required to use for a specific purpose or for specific purposes. The publication explains further that, in the absence of a clear specification of conditions, whether by formal agreement, legislation or regulation, the transfer is deemed to be an unconditional one.

5.34 Because of the particular political relationship that exists between provinces and their local governments, there is reason to believe that this description will remain a viable one for some

time for transfers between these levels of government. However, it is apparent that this classification criterion is inadequate in respect of federal transfer payments to provinces.

5.35 As implied above, the growth in the incidence of transfers has been accompanied by a wide variety of terms relating thereto. Some current federal-provincial transfer arrangements carry terms which, although indicative of intent, do not specify the purpose to which the transferee must apply the amount concerned. In other cases, terms appear to be inconclusive or are subject to differing interpretation. In some such cases it is arguable that the terms are the conditions upon which the transfer is made and hence that it is a conditional one. But at the same time it may be represented that these terms are merely the mechanics which must be followed in establishing the amount of the transfer; that they do not bind the transferee in any way and therefore the transfer is an unconditional one.

5.36 Moreover, in the area of federal transfers to provinces, there appears to be a growing tendency toward transfers which affect two or more functions or sub-functions (e.g., the Canada Assistance Plan program) and it is virtually impossible to make a meaningful functional allocation of such multi-purpose or bulk transfers. Thus the mere classification of a transfer as a conditional one does not ensure the practicability of functionalizing it and this calls into question the need for and validity of continuing the traditional distinction between types of transfers.

5.37 In the light of the above considerations, and with the move away from the presentation of revenue and expenditure data on a net basis, the concepts of conditional and unconditional transfers have been dropped (commencing with the publications of data for 1970-71 actual, and 1972-73 estimates). This departure from the traditional practice, however, does not imply the cessation of the practice of allocating transfers to particular functions to the fullest possible extent. The latter practice continues but allocation is now made on the basis of the transfer's apparent relationship with a particular function rather than on the basis of real or imputed conditions of expenditure. These transfers are referred to as "specific purpose transfers". Transfers which are not allocable to particular functions are set out under the heading of "general purpose transfers" by major program pursuant to which they are made.

5.38 Theoretically, amounts shown in the transferor's records as transfers paid should be the same as those shown in the transferee's records as amounts received. It will be recalled from Part IV, however, that the data on each level of government are based, for the most part, on related source documents and, in practice, precise agreement between amounts paid and received is rare. While every effort is made to reconcile differences, the absence of uniform accounting practices and identical year-ends precludes complete reconciliations. In the presentations of consolidated government revenue and expenditure "amounts paid" are deducted from the transferor's expenditure, corresponding "amounts received" are deducted from the revenue of the transferee, and the accounts are then added to show the consolidated position exclusive of the effects of transfers.

Intergovernment Purchases and Sales

5.39 In the past, purchase and sale transactions between governments were, by and large, considered transfers in the financial management series and treated accordingly. Transactions of special nature involving substantial outlays (e.g., sales of RCMP services to the provinces and purchases of educational services from provinces and local school boards under the federal manpower training program) were sometimes isolated and treated as normal purchases and sales; i.e., outlays for goods purchased or services rendered were shown under the appropriate function of expenditure of the purchasing government while proceeds from the goods sold or services rendered were included in the revenue of the selling government. Instances of this kind of treatment were, however, exceptions rather than the rule.

5.40 It has now been recognized that there are two distinct types of intergovernmental purchase and sale transactions. The first entails the sale of a good or a service by one government to another which the latter either consumes or otherwise utilizes in the normal course of its operations. For this first type of transaction, the purchasing government is in the same position in relation to the selling government as any purchaser outside the government sector. The second type of intergovernmental purchase and sale transaction involves the acquisition of goods or services by a government from another for resale or distribution to the population or territory under its exclusive jurisdiction. In this instance, the purchasing government effectively engages the selling government to provide goods

or services that it should but does not or cannot provide itself. Its relationship to the selling government is very much in the nature of a provider of funds in exchange for the provision of certain goods or the performance of certain services.

5.41 In the statistics on a single government, no distinction is made between the two types of transactions; they are shown simply as a sale or a purchase, as the case may be. But in dealing with more than one government, e.g., all local governments in a province, the second type of transaction is subject to consolidation procedures to avoid double counting.

5.42 In practice, government reports often fail to provide the detail essential for consolidation. Consequently, government consolidated data on sales and on some expenditure functions can be and are, to some extent, overstated. The most affected level of government is the local level since the first consolidations establish local government data on a provincial base. However, it is hoped that much of the current difficulty at this level will disappear with the implementation of the new classification systems for municipalities.³ Most of the provinces have indicated the new systems will be in place for 1972.

Intergovernment Tax-sharing Arrangements

Income Tax

5.43 In accordance with the current Federal-Provincial Fiscal Arrangements legislation, the federal government collects the personal income tax levied by all provinces except Quebec and makes monthly remittances to the provinces concerned. For purposes of the financial management series, federal personal income tax revenue is the total of collections by the federal government less refunds and amounts credited to the provinces. The revenue of the provinces other than Quebec is the total of amounts received from the federal government. However, since remittances are made in the first instance on an estimated basis, adjustment payments (plus or minus) are required. Such adjustments are taken into account in the year in which they are made. Quebec levies and collects its own personal income tax and its revenue from this source is accordingly the amount of its collections less refunds.

5.44 The federal-provincial arrangements in respect of, and the statistical treatment of, revenue from corporation income tax parallels the description in Paragraph 5.43 but for the fact that both Ontario and Quebec impose and collect their own income tax on corporations.

Estate Tax

5.45 Prior to April 1, 1964 estates or portions thereof situated in provinces which levied succession duties (British Columbia, Ontario and Quebec) qualified for an abatement of 50% of the federal estate tax otherwise payable. Provinces without succession duty levies received from the federal government a payment equal to 50% of the federal tax on estates situated within their boundaries. Effective April 1, 1964, the federal government undertook to pay to the provinces not levying succession duties an additional amount equal to 25% of the federal tax collected on estates situated within their boundaries (i.e., a total of 75%). At the same time, provinces with succession duty levies were given the option of —

- (a) having estates within their provinces qualify for an additional 25% abatement of the federal estate tax, or
- (b) receiving a payment in an amount equal to 25% of the federal estate tax payable before any abatement (i.e., one half of the amount collected under the 50% abatement arrangement).

British Columbia accepted the first-mentioned alternative and raised its own succession duty rates. Ontario and Quebec chose the second-mentioned alternative.

5.46 In the financial management series, the federal revenue from estate tax is the gross amount collected from estates. It includes all amounts subsequently paid (as "general purpose transfers") to Ontario and Quebec under option (b) (Paragraph 5.45) and to the provinces not levying succession duties. Provincial succession duty revenue, on the other hand, includes only the amount collected by a province under its own statutory provisions.

5.47 Because of the "three-way" federal-provincial arrangement, interprovincial comparisons of revenue relating to taxation upon death must take into consideration the amounts received on this account by way of transfer from the federal government. Similarly, in establishing the net revenue of the federal government from its taxation of estates, it is necessary to adjust its gross

³ A Financial Information System for Municipalities (Catalogues 12-532 and 12-533).

estate tax revenue by the amounts transferred to the provinces.

- 5.48 Effective January 1, 1972, the federal government withdrew from the field of inheritance taxation. Thus, upon the settlement of outstanding assessments, all revenue of the provinces relating to taxation upon death will arise from direct provincial tax levies and the transfer aspect will disappear.

Federal Income Tax on Public Utilities

- 5.49 Since 1947 the federal government has shared with each province the amounts of federal income tax collected from certain non-government utilities operating in the province. Effective January 1, 1966 the provincial share was raised from 50% to 95% of the amount collected. In the financial management series the full amount collected is shown as federal revenue and the subsequent flow of 95% thereof to the province concerned is shown as a transfer.

Federal Tax on Corporation Undistributed Income

- 5.50 Under the provision of the Federal-Provincial Fiscal Arrangements Act 1972, the federal government has undertaken to share with the provinces the revenue it receives from its tax on corporations' "1971 undistributed income on hand". Each province's share is 20% of the federal tax revenue attributable to it. The full amount collected by the federal government is included as corporation tax revenue. The amount transferred is shown as a transfer paid and, at the provincial level, as a transfer received.

Shared Revenue and Collections for Other Governments

- 5.51 In some provinces arrangements exist between the provincial government and its municipalities for the outright sharing of certain revenues, e.g., liquor licence revenue or revenue from certain fines. In the financial management series the government making the initial collection is regarded as an agent of the second and the collector's rightful share only is included in its revenue, while the amount paid or due to the

second government is included in that government's revenue. In other words, the treatment here parallels that in respect of the federal-provincial tax collection agreements.

- 5.52 There are numerous examples at the local government level of one government collecting taxes or other amounts for another. The Statistics Canada (DBS) publication entitled *A Financial Information System for Municipalities* clearly recommends that amounts so collected be shown as revenue of the intended final spender only and not as revenue of the intermediary acting as an agent. From the practical standpoint, however, such purity of concept is difficult to achieve and most departments of municipal affairs have indicated that this highly preferred approach is impracticable in their provinces. Consequently, in the financial management series amounts collected by one local government for another appear in many instances as revenue of the collecting government and as a corresponding transfer to the second government.

Grants in lieu of Taxes

- 5.53 Where an operation of a government would, but for an exemption (whether statutory or other) be subject to a tax levy imposed by another government, it is a fairly general practice for the first-mentioned government to make a grant in lieu of taxes to the other government. The same practice prevails in the case of exempt government agencies, whether corporate or not. In practice, such grants are made almost exclusively by the federal, provincial and territorial governments and their agencies to local governments and these grants are almost exclusively in lieu of taxes on real property owned by the grantor governments or agencies.

- 5.54 There is a body of opinion which favours the classification of grants in lieu of taxes as a tax revenue of the receiving government. However, since these grants are voluntary and since there is no doubt that they are not the yield of imposts of the receiving government, they are regarded, for purposes of the financial management series, as a particular type of general purpose transfer and the amounts are specifically identified as grants in lieu of taxes.

Classification of Government Revenue and Expenditure Transactions

Revenue

6.00 The financial management system provides for the breakdown of government revenue by several categories; it distinguishes between revenue derived from the government's own sources and that received by way of transfer from other governments; it divides own source revenue into tax and non-tax revenue; it further classifies tax revenue by reference to the base to which it applies (e.g., taxes on income, taxes on general sales), and non-tax revenue by reference to the type of transaction from which it is derived (e.g., sales of services, bullion or coinage or postal receipts).

6.01 The above-described classification approach is applied generally but with one significant exception. Some governments derive substantial revenue from particular types of transactions relating to exploration, development or exploitation of natural resources. Because of the magnitude of this revenue it is highly desirable that it be identified by the resource concerned. Such isolation could be achieved either by (a) including under each type of transaction a detailed "natural resource" breakdown, or (b) by setting up a major "natural resource revenue" category under which the revenue from various types of transaction would be included. The first alternative, while conforming to the basic approach outlined in Paragraph 6.00, would result in an unduly cumbersome classification framework which, in turn, would impede the processing of information contained in original source documents. The second alternative facilitates the classification operations within a relatively simplified framework. For this reason it has been deemed to be the more appropriate approach. Detail on the relationship between the "natural resource revenue" category and other revenue categories is set out in Paragraph 6.22.

6.02 The framework of the classification system used in the financial management series is set out in Appendix A. Paragraphs 6.03 – 6.36 provide an outline of the main items included in the various classification categories.

Taxes

6.03 Personal income taxes – This classification encompasses levies on income of individuals and unincorporated business including surcharges on income tax, special levies such as the federal old age security and social development

taxes,¹ and Quebec's special tax on income of employees and self-employed individuals which is earmarked for the support of medicare. It also includes the federal tax on gifts.² The proceeds from the income tax on capital gains of individuals and unincorporated business are included under this heading.

6.04 Payroll tax – This category has been established especially to accommodate the proceeds of taxes based specifically on payrolls and payable by employers. This form of taxation is used by the Province of Quebec to assist in the financing of its medicare program.

6.05 Corporation income tax – This classification relates to general federal and provincial taxes on taxable profits of corporations. As in the case of personal income tax, it also includes special levies such as surcharges and the federal old age security tax.³ As noted in Paragraph 6.22, specific natural resource-based industry taxes which are sometimes levied on corporate profits are excluded from this classification in favour of the classification "natural resource revenue".

6.06 Taxes on insurance premiums – This classification has two captions: "fire" and "general". The "fire" sub-classification includes the proceeds of taxes levied specifically on fire insurance premiums. The "general" sub-classification covers the yield of other taxes levied on insurance premiums and includes the general tax imposed by all provinces on the gross premium income of insurance companies as well as that imposed by Newfoundland under its Insurance Premium Tax Act which is payable by the policyholder. At the federal level, it includes taxes on certain insurance premiums paid to foreign companies not authorized to do business in Canada.

6.07 Other taxes on corporations and businesses – Yields of taxes on corporation paid-up capital, place of business and other bases exclusive of income or profits, for example, a mileage tax borne by road transportation concerns, are assigned to this classification.

¹ The federal old age security and social development taxes ceased to exist as separate levies effective January 1, 1972 when they were integrated into the general income tax rates. Reference thereto relates to data for years prior to 1972.

² The federal gift tax was repealed effective January 1, 1972. Reference thereto relates to data for years prior to 1972.

³ See footnote 1 above.

6.08 Tax on certain payments and credits to non-residents — This caption accommodates the federal tax withheld at source on payments to non-residents (both individuals and corporations) of dividends, interest, rents, royalties, alimony, managerial fees and of amounts arising from trusts and estates.

6.09 Real and personal property taxes — In Canada, taxation of real property (land and improvements) and personal property (goods and chattels) has been traditionally a local government preserve. However, where the responsibility for the provision of certain major local government services, e.g., education, health, welfare and assessment, have been resumed by provincial governments, as in New Brunswick and Prince Edward Island, these governments now share this field of taxation with their local governments. They collect real property taxes both for their own account and for the account of their local governments. In the statistical series on the provincial governments, the amount shown as revenue from real property taxation is exclusive of amounts collected for or passed on to local governments; in the series on local governments, the corresponding amount shown is the amount received via the provincial government. The sub-classifications in this category identify the principal types of real and personal property taxes. "Special assessments" are levies made by a municipality to pay for a specific service (e.g., the provision of a sidewalk) supplied to the property on which they are levied but not generally throughout the cadastral area. The three principal sub-classifications — "residential", "commercial and industrial", and "farm" real property taxes — reflect the major classes of assessments and rates of levy of these taxes. While real property taxes are generally levied against the owners of property, certain municipalities are now levying taxes against the occupants of such property, e.g., tenants in apartment buildings; such taxes are classified as "occupancy" taxes. The earlier importance of "personal property" taxes has now greatly declined in face of difficulties in assessment.

6.10 General sales taxes — The proceeds of the federal manufacturers' sales tax and of provincial retail sales taxes are recorded in this classification.

6.11 Motive fuel taxes — This classification encompasses the proceeds of specific taxes on gaso-

line, oil, diesel, aviation and other fuels for the propulsion of vehicles.

6.12 Alcoholic beverages taxes — This classification includes all forms of special levies, excise tax, excise duty or other, imposed on the production and sale of alcoholic beverages. Where a general sales tax is applicable to alcoholic beverages, the related proceeds are classed under the "general sales taxes" caption and not under this caption. (For comment on provincial revenue from liquor board or commission operations, see Paragraphs 6.23 and 6.25.)

6.13 Tobacco taxes — This category includes special levies (excise tax, excise duty and other) on the production and sale of tobacco products. As in the case of alcoholic beverages, general sales taxes applicable to tobacco products are not included under this caption but rather under the "general sales taxes" caption.

6.14 Taxes on amusements and admissions to places of entertainment — The principal items included under this heading are the tax revenues from admissions to theatres, cinemas, recreational, cultural, or other entertainment activities, as well as the proceeds from levies on race track betting.

6.15 Taxes on other commodities and services — At the federal level, this classification takes into account the yields of special excise levies on jewellery and watches, toilet preparations and assortment of sundry items. At the provincial level, the proceeds from special taxes (i.e., other than the general sales tax) on telecommunications, hotel and motel accommodation, meals, electricity, gas, coal, and fuel oil (other than motive fuel oil) as well as those of other miscellaneous taxes on the sales of goods and services are brought into this classification.

6.16 Customs duties — This classification applies to the federal level only; it takes into account the proceeds from levies on commodities imported into Canada.

6.17 Taxes on successions and gifts —

(a) **Succession duties and estate taxes** — At the provincial level, only the "succession duties" portion, and at the federal level, only the

"estate taxes" portion of this caption are applicable. Accordingly, the caption accommodates the yield of taxes on inheritances and successions at the provincial level and the total yield of taxes on estates of deceased persons at the federal level. While the federal government withdrew from the estate tax field effective January 1, 1972, the retention of this caption is required pending the settlement of outstanding assessments. (see also Paragraphs 5.45 to 5.48.)

- (b) **Gift taxes** — This sub-category is provided for the classification of provincial taxes on gifts. All provinces, except Alberta, have taken steps to enter this field of taxation following the repeal of the federal gift tax effective January 1, 1972. (In the past, the yield of the federal taxes on gifts has been classified as personal income tax and revenue from any outstanding gift tax assessments as at December 31, 1971 will continue to be so classified.)

6.18 Health insurance premiums — Certain provinces levy premiums on individuals and employers to finance their share of joint federal-provincial hospitalization and medical care programs. This premium revenue does not necessarily represent the total provincial share of the program costs. The proceeds from hospitalization premiums and medicare premiums are classified separately.

6.19 Social insurance levies — This part should be read in conjunction with Paragraphs 5.17 — 5.20 inclusive. The specific receipts isolated under this heading are:

- (a) employer (other than federal government) and employee contributions toward income-maintenance payments to employees under the federal unemployment insurance program;
- (b) employer contributions to provincially-operated workmen's compensation schemes. (Note: most, if not all, governments act as their own insurers against risks of employee injury in the course of duty or, alternatively, they purchase coverage from insurance companies. Consequently, employers contributing to workmen's compensation programs are employers other than governments);
- (c) employer contributions to vacation-with-pay programs operated by certain provinces for certain employees who would otherwise be denied this benefit.

6.20 Universal pension plan levies — This classification covers contributions to the Canada Pension Plan by employers and employees outside the Province of Quebec and corresponding contributions to the Quebec Pension Plan by employers and employees in Quebec. Since both these plans are regarded as an integral part of the general government operations of the governments concerned, contributions by these governments, as employers, to their own plans are not recorded as revenue. (See also Paragraphs 5.17 — 5.20 inclusive.)

6.21 Other taxes — This classification brings together the yields of taxes not elsewhere classified. At the federal level, it includes the proceeds from the prairie farm emergency fund levy, tonnage duties on merchant shipping, and other miscellaneous levies. At the provincial level, it covers receipts from taxes on transfers of documents, securities, stocks and land titles, as well as the public utilities assessment levy imposed by Ontario, and the crop insurance premiums collected by certain provinces. At the local level, the classification covers the yields of poll taxes and of levies, other than taxes on real and personal property, that are not separately identified, as well as the proceeds of sundry imposts.

Natural Resource Revenue

6.22 Revenue derived from the exploration, development and exploitation of natural resources, other than those received under income tax legislation and those derived through a government enterprise engaged in natural resource-oriented operations, are classified under this caption. Five sub-classifications identify specific resources from which the bulk of the revenue arises; a residual sub-category is provided for miscellaneous resource revenues not elsewhere classified. The specific inclusions are as follows:

- (a) **Fish and game** — Revenue from hunting and fishing licences and permits; royalties on furs, and fishing royalties.
- (b) **Forests** — Revenue from taxes on logging operations whether on profits, income or other bases; leases and rentals of Crown lands; timber berth dues and rentals; stumpage dues and timber royalties; timber and fuelwood licences and permits, timber sales; scaling fees; lease and contract fees, permits and rentals; selective cutting fees, log-driving charges; ground rents and management and forest protection charges.

- (c) **Mines** — (Excluding quarrying, sand, gravel, peat, but including coal.) Revenue from taxes on mining income receipts or profits; taxes pursuant to mineral taxation acts; taxes on acreages, concessions, claim leases and on particular minerals and royalties; exploration, development and exploitation licences and permits; leases and rentals and other permits; royalties on mineral production; miners' certificates and licences; ground and building rents.
- (d) **Oil and gas** — Revenue from sale of Crown leases and reservations, bonus bids, drilling reservation rentals, leases and permits; oil and gas and producing tract taxes; natural gas taxes; oil and natural gas royalties, lease rentals, fees and permits; helium permits and royalties, oil and gas mineral taxes, oil sands rentals, fees and royalties.
- (e) **Water power rentals** — Revenue from water power privileges; water storage reservoirs; water systems operations; water rental contributions; recording fees and royalties on electricity generated.
- (f) **Other** — Revenue from sand and gravel, peat and quarry site leases, rentals and royalties; park and camp ground permits, fees, rentals, concessions and sales; sales of leases and rentals of Crown lands; alkali rentals and royalties; and miscellaneous natural resource taxes, fees and charges.

Privileges, Licences and Permits

- 6.23 These are set charges imposed by government as prerequisites to the performance of certain activities or the exercise of certain functions. The fact that the monetary considerations entailed are not related to any particular quantities of benefit derived distinguishes them from sales of goods and services (the amounts charged are the same regardless of the extent to which the privileges, licences or permits are used). The classification has four components — "liquor control and regulations", "motor vehicles", "concessions and franchises" and "other". "Liquor control and regulations" covers proceeds from the issue of licences and permits to individuals and business establishments relating to the purchase, sale and consumption of alcoholic beverages. "Motor vehicles" encompasses any revenue derived from permits, licences and fees pertaining to the ownership and operation of motor vehicles, their use on public roads and their maintenance in accordance with prescribed standards. "Concessions and franchises" includes revenue obtained from the grant of the

exclusive right to discharge functions or responsibilities which would otherwise remain with the grantor. The sub-category "other" covers proceeds from other privileges, licences and permits (with the exception of privileges, licences and permits pertaining to the exploitation of natural resources which are brought under the "natural resource revenue" caption) such as those arising from the issue of building permits, letters patent, copyrights, marriage licences, professional and occupational licences or permits, aircraft and boat licences, trade and timber mark registrations, legal stamps, dog licences, etc.

Sales of Goods and Services

- 6.24 In the course of discharging its role as a provider of public goods and services, government engages in transactions of a commercial nature with organizations or individuals in the private sector and with other governments. Proceeds from these transactions are brought under this caption except for those involving natural resources which are brought under the "natural resource revenue" caption. The classification is broken down into three components, namely, "institutional", "intergovernment" and "general". "Institutional" sales of goods and services are described in Paragraph 5.08. "Intergovernment" sales of goods and services are dealt with in Paragraphs 5.39 to 5.42. In the latter paragraphs, reference is made to the lack of adequate identification in source documents of the transactions concerned which results in the treatment of proceeds that may have arisen from intergovernment transactions as revenues from general sales. The sub-classification "general" covers proceeds from all other sales of goods and services. Goods include real property, machinery and equipment, materials and supplies, livestock and animal products, furniture, clothing, publications, documents, forms and other printed material. Proceeds from the sale of confiscated property are brought in under "general" sales of goods. "Services" covers court fees, airport fees and other charges, tolls for the use of transportation services and facilities, fees for the use of dockage or wharfage facilities, administrative and technical fees (search, certification and registration fees; assaying, testing and other laboratory fees), fees for other services rendered by government officials, tuition and correspondence course fees, examination fees, grazing and pasture fees, as well as sales of police services. Proceeds from the rental of goods are brought in under "general" sales of services.

Return on Investments

- 6.25 Remittances of trading profits of provincial liquor boards are isolated under this principal caption. (Amounts which accrue to liquor boards, because of their regulatory functions, are classified under the heading "privileges, licences and permits".) Trading profit remittances (i.e., whether in the form of dividends or other) of government enterprises other than liquor boards are set out in a separate sub-category. Note: interest paid by an enterprise to its parent government is classified not as a "remittance from own enterprises" but under the separate sub-category "interest".
- 6.26 **Dividends and interest** — The "dividends" and "interest" sub-categories are self-explanatory.
- 6.27 **Foreign Exchange Fund** — Only the net profit of the Foreign Exchange Fund operated by the Bank of Canada as agent for the federal government is included under this sub-caption.
- 6.28 **Other — Return on investments** — This residual category provides for the classification of net discounts (or the amount thereof amortized) arising from the purchase of securities at less than their redemption price at maturity, net premiums (or the amount thereof amortized) arising from the sale of a security at a price in excess of its par value, net profits on foreign exchange transactions (excluding the federal Foreign Exchange Fund) and other miscellaneous receipts arising from investment operations.

Other Revenue from Own Sources

- 6.29 **Non-trusted public service and teachers pension plan contributions** — This classification accommodates contributions made by public servants, certain teachers and employers (other than the government concerned) toward a pension plan operated by government as an integral part of its overall operations.
- 6.30 **Postal revenue** — Revenue of the federal Post Office is classified under this heading.
- 6.31 **Bullion and coinage** — The profit of the Royal Canadian Mint on gold and silver bullion and on coinage is classified under this caption.
- 6.32 **Fines and penalties** — Interest and penalties in respect of the non-compliance with local government tax statutes or by-laws are segregated

from other fines and penalties arising from infractions of laws, by-laws and ordinances, whether civil or criminal.

- 6.33 **Miscellaneous** — This classification provides for revenues not elsewhere classified; e.g., indemnities and recoveries under insurance policies, gifts, contributions from private sources, escheats and forfeitures of election deposits.

General Purpose Transfers from Other Levels of Government and Their Enterprises

- 6.34 The principal breakdown of general purpose transfers is by level of government or government enterprise from which the transfers originate. In the sub-classifications, the type of transfer is identified. For transfers from the federal government the breakdown is as follows:
- (a) **Statutory subsidies** — This sub-category is used for classifying provincial and territorial revenue received in accordance with the British North America Act and certain other legislation. The subsidies involved comprise grants for the support of legislative assemblies and interest on certain debt.
 - (b) **Share of federal estate tax** — see Paragraph 5.46.
 - (c) **Share of federal corporation income tax on privately-owned public power utilities** — see Paragraph 5.49.
 - (d) **Share of federal tax on corporation undistributed income** — see Paragraph 5.50.
 - (e) **Equalization** — Revenue received by the provinces pursuant to federal-provincial fiscal arrangements legislation and regulations is shown under this sub-classification.
 - (f) **Established Programs (Interim Arrangements) Act** — The revenue which the Province of Quebec receives under the terms of this statute is shown under this caption (see Paragraph 5.16).
 - (g) **Grants in lieu of taxes** — This caption accommodates provincial and local government revenue from federal grants in lieu of property taxes (see Paragraph 5.53).
 - (h) **Other** — Revenue from other general purpose transfers by the federal government is brought under this residual sub-classification. The main item in this category is the provincial revenue pursuant to the Federal-Provincial Fiscal Revision Act.

- 6.35** In the balance of the subordinate classification categories, for each level of government concerned, grants in lieu of taxes are isolated from miscellaneous other general purpose transfers.

Specific Purpose Transfers from Other Levels of Government and Their Enterprises

- 6.36** The principal breakdown of specific purpose transfers is by level of government or government enterprise from which the transfers originate. A further breakdown is provided by purpose of transfer (see Paragraph 5.37).

Expenditure

- 6.37** In the financial management system, expenditure is classified by reference to the service being provided through the expenditure concerned. For this purpose fourteen types of services, each comprising several programs (sub-functions), have been identified as functions. In addition, four other functions covering a single or two or more relatively homogeneous programs have been established along with a residual (other) category. Expenditure incurred in the operation of a program designed to make available a particular service is allocated to the function denoting the service involved. Such expenditure normally includes salaries, wages, fees, allowances, gratuities, contributions in respect of employee medical and hospital insurance, meals and clothing supplied to employees, office equipment and furniture, rent, utility services, and all other incidental expenses incurred in providing the services concerned. Transfer payments made for specific purposes are allocated to the function to which they relate.

- 6.38** **General government** — This classification is broken down into four sub-functions, namely, "executive and legislative", "administrative", "contributions to trustee and pension payments from non-trusteed public service pension plans" and "other". Generally speaking, the "general government" function covers those outlays which cannot be ascribed to any other particular functions because they effectively overlap several functions. The "executive and legislative" sub-function covers identifiable expenditure pertaining to the constitutional, political and law enactment aspects of government activity. At the senior levels of government it includes outlays relating to the governor-general and lieutenant-governors, prime ministers and premiers, cabinet ministers and members of legislative assemblies, and their staffs; to the construction, repair, maintenance and upkeep of official residences

and legislative buildings; to elections and referendums; and to revisions of statutes. At the local level of government, the sub-function includes all corresponding expenditure items in respect of elected and appointed officials and their staffs. The "administrative" sub-function encompasses all expenditure in respect of public administration that cannot be allocated to more specific functions. It includes outlays for central accounting, auditing, budgeting, staffing, printing or purchasing departments or agencies; for tax administration and collection; for the administration costs of servicing the public debt; and for the construction, repair and maintenance of multi-purpose public buildings. The sub-function "contributions to trustee and pension payments from non-trusteed public service pension plans" is self-explanatory. The "other" sub-function is a residual category for expenditure of general nature that cannot be allocated to the other sub-functions. Among the outlays brought under this caption are those in respect of central statistical organizations, intergovernment services, conventions and delegations, general accident and damage claims, fire and public liability insurance, court litigations, and general purpose grants to organizations and individuals which cannot be more specifically allocated.

- 6.39** **Protection of persons and property** — This classification includes all outlays which relate to services provided to ensure the security of persons and property. Protection extends beyond safeguard from external aggression and criminal action; it includes measures to protect the individual from negligence and abuse and activities to ensure the orderly transaction of the affairs of the community. The classification is broken down into seven sub-functions, namely "national defence", "courts of law", "correctional services", "police services", "fire fighting services", "regulatory services" and "other". The sub-function "national defence" is used to report outlays in respect of the armed forces and military bases and installations; it also covers expenditure pertaining to the federal Defence Research Board. The sub-function "courts of law" takes into account outlays pertaining to the judicial system including the Supreme Court, Federal Court, Tax Review Board, Tariff Board, provincial courts of appeal, provincial superior courts (variously known as Court of Queen's Bench, Supreme Court, or Superior Court), county and district courts, magistrate courts, juvenile courts, family courts, social welfare courts, justices of the peace, as well as any expenditure in respect of prosecuting attorneys, coroners, witnesses, jurors, court interpreters,

and premises used in the judicial process. The sub-function "correctional services" encompasses outlays in respect of the incarceration and rehabilitation of individuals convicted of criminal action and sentenced to terms in penitentiaries, gaols, and other detention establishments including industrial farms and reform schools and institutions. It also covers expenditure in respect of probation services. The sub-function "police services" relates to outlays pertaining to the maintenance of law and order. It embraces expenditure in respect of the establishment, operation, maintenance and equipment of police forces including outlays in respect of stations and other buildings, specialized training establishments, motor vehicles, communication equipment, laboratory equipment, as well as weapons and related equipment. It also takes into account expenditure in respect of purchase of police services from other governments and that in respect of the custody and detention of arrested persons pending their release on bail or appearance before a court of law. The sub-function "fire fighting services" includes outlays pertaining to the prevention, investigation and extinction of fires. It embraces spending in respect of fire investigation officers, fire fighting forces including expenditure in respect of stations and other buildings, specialized training establishments, fire trucks, fire fighting equipment, and water hydrants. It also takes into account expenditure on the purchase of firefighting services from other governments or other sources. The sub-function "regulatory services" embraces outlays in respect of a wide array of services provided specifically to protect the individual against negligence, exploitation or abuse, or to ensure the orderly transactions of the business of the community. These outlays pertain to trusteeship services, adjudicator or referee services, protection of borrowers, consumers and investors, protection of workers on construction sites or in industrial premises, motor vehicle inspections, and protection of the community at large through services relating to the inspection of buildings, electrical systems, plumbing installations, gas installations and other systems likely to give rise to safety problems. The "regulatory services" sub-function also covers expenses in respect of establishments instituted to regulate the exercise of professions or trades or the carrying-on of certain business activities or to provide records of land transactions and related ownership registrations. The residual category labelled "other" pertains to outlays in respect of special actions taken to cope with emergency situations and includes expenditure in respect of permanent organizations established to deal

with such contingencies. It also covers expenditure on animal or pest control and on activities not covered by the other sub-functions.

6.40 Transportation and communications — This classification is divided into seven sub-functions, namely, "air", "road", "rail", "water", "telecommunications", "postal services", and "other". The sub-functions "air", "road", "rail", and "water" cover outlays in respect of all phases of the acquisition, construction, operation and maintenance of the relevant transportation facilities and equipment as well as expenditure pertaining to related engineering and other technical surveys. They also include expenses pertaining to traffic control and, wherever applicable, to parking and mooring facilities. The "road" sub-function covers highways, secondary roads, roads to resource areas, boulevards, avenues and streets together with related storm sewers (where separated from sanitary sewers). It includes the costs of such operations as removal of snow, debris, leaves, and other deposits as well as surface sanding and flushing. The sub-function "telecommunications" includes expenditure on research into planning, co-ordinating and controlling the development of telecommunication requirements, both domestic and international, as well as expenditure on the operation of the federal government Radio Aids to Navigation Program and of other communication systems. The residual sub-function "other" covers outlays which, although allocated to "transportation and communications", cannot be further identified as to sub-function or overlap two or more sub-functions.

6.41 Health — This classification comprises four sub-functions, namely, "hospital care", "medical care", "preventive services", and "other". The sub-function "hospital care" covers outlays in respect of hospitalization services including the payment of hospital insurance premiums and other disbursements for the benefit of indigent persons. It relates to all kinds of hospital services, i.e., those provided by general hospitals, as well as by acute disease, chronic disease, convalescent, isolation and mental hospitals. Expenditure pertaining to nursing schools attached to hospitals is also allocated to this sub-function. The sub-function "medical care" embraces outlays in respect of general medical care programs including the payment of medicare premiums and other disbursements for the benefit of indigent persons. It also includes outlays incurred in

respect of dental and visiting-nurse services and for the provision of drugs. Expenditure on out-patient care services is allocated to this sub-function. The "preventive services" sub-function accommodates a wide variety of outlays made to prevent the occurrence of diseases and mitigate their effect. It covers public health clinics, communicable disease control services (including immunization, treatment, isolation and quarantine outside hospital premises), food and drug inspection services, public and government establishment nursing services, hygiene and nutrition advisory services, and organizations conducting research on the causes and consequences of particular diseases or addictions. The residual sub-function "other" covers outlays on clinics for the treatment of retarded or emotionally disturbed persons and on laboratory and diagnostic services, grants to health-oriented organizations, and expenditure on other health-related services such as health department administration, health statistics, training for health establishment personnel, medical rehabilitation, and indemnities to injured persons and their dependants which cannot be allocated to the other sub-functions.

6.42 Social welfare — This classification is made up of eight components. They are "universal pension plans", "old age security", "veterans' benefits", "unemployment insurance", "family and youth allowances", "workmen's compensation", "assistance to disabled, handicapped, unemployed and other needy individuals" and "other". The sub-function "universal pension plans" encompasses payments to individuals by the Canada and Quebec Pension Plans; it also covers the contributions, as employers, of governments other than the federal government and the government of the Province of Quebec (the contributions, as employers, of these two governments are eliminated in the consolidation of the operations of the Canada and Quebec Pension Plans with their own operations) and the administrative expenses of the plans. The sub-function "old age security" relates to the fixed monthly benefits paid by the federal government to all individuals aged 65 and over and to the guaranteed income supplements paid under the terms of the same program. The sub-function "veterans' benefits" includes pension and disability payments made by the federal government to veterans or their dependants; it also covers the expenses incurred in administering the relevant programs. The sub-function "unemployment insurance" embraces payments made under the unemployment insurance program; it also covers the contributions of governments, as

employers, other than the federal government, and the administrative expenses incurred in providing this particular type of service. The sub-function "family and youth allowances" relates to payments made by the federal government and the government of the Province of Quebec to the parents or guardians of children under 18 years of age. The sub-function "workmen's compensation" takes into account payments made by workmen's compensation boards to eligible individuals; it also covers amounts paid to the boards by governments other than provincial governments (workmen's compensation boards are provincial government agencies and their operations are consolidated with those of their parent governments) and expenses incurred by the boards in administering their program. The sub-function "assistance to disabled, handicapped, unemployed and other needy individuals" groups under one heading a number of relief programs. Coming within its ambit are mothers' allowances, support payments to the unemployed and unemployables, outlays in respect of the blind, the disabled, orphaned or abandoned children and special assistance to the aged. Expenses pertaining to homes for the aged or the handicapped and to orphanages, children's aid societies, and day nurseries come under this sub-function. The sub-function also implicitly covers outlays under the Canada Assistance Plan. The residual category "other" relates to spending in respect of administration of social welfare programs that cannot be allocated to more specific sub-functions or in respect of general support for the provision of social welfare services such as research and planning, statistical compilation, and investigation and counselling services.

6.43 Education — This classification is sub-divided into four sub-functions, namely, "primary and secondary", "post-secondary", "special re-training services", and "other". The sub-function "primary and secondary" encompasses outlays for educational services from kindergarten to senior matriculation. It also includes expenditure in respect of technical and vocational training which is provided separately at the secondary school level. It covers expenditure incurred for general administration and maintenance of standards, for the construction of buildings, and for the operation of the education programs. It embraces expenses in respect of text books and equipment and supplies employed in the education process. Schools for the handicapped and schools for Indians and Eskimos come under this sub-function. The sub-function "post-secondary" covers outlays to universities and col-

leges and other institutions providing instruction at the post-secondary school level, and bursaries and scholarships to individuals. Included in these institutions are teachers' schools, advanced technical institutes, and junior colleges such as the community colleges of Ontario and the *collèges d'enseignement général et professionnel* of Quebec. Music conservatories and schools specializing in the instruction and training of artists also come under this sub-function. The particular types of expenditure covered by the sub-function are essentially similar to those referred to in connection with the sub-function "primary and secondary". The sub-function "special retraining services" comprises outlays made for the purpose of up-grading the skills of individuals. The cost of courses provided under the federal manpower training program constitutes one of the main items under this sub-function. The residual sub-function "other" covers outlays that either overlap or cannot be allocated to the other sub-functions. It includes the general administration expenses of departments of education, the costs of statistical and research activities pertaining to the broad field of education, and the expenses of apprenticeship training. Payments made by one government to another or to the private sector to encourage proficiency in the official languages are also included, as are costs of special instructional arrangements such as evening classes and correspondence courses.

6.44 Natural resources — This classification takes into account outlays in respect of governmental activities pertaining to the orderly exploitation of natural resources. Administrative and technical services provided to that end come within the ambit of the function. The classification has six sub-functions, namely, "fish and game", "forests", "mines", "oil and gas", "water power" and "other". The sub-function "fish and game" covers outlays for research in fish and wild-life pathology, control and regulation of fishing and hunting activities, promotion and marketing of sea foods and animal furs, conservation and rehabilitation of fish and game stocks, and financial assistance to commercial fishermen and hunters. Some of the outlays allocated to this sub-function, such as those pertaining to the remuneration of fish and game wardens, might also be brought under "recreation and culture — recreational facilities" (see Paragraph 6.47 below); in instances of overlap of this kind, however, priority is given to the "natural resources — fish and game" classification. The sub-function "forests" embraces expenditure in respect of inspection and survey of forest re-

sources, forest ranging and fire control, research into the causes, prevention and cure of tree diseases, construction of logging roads, measurement of forest products, promotion and marketing of forest products, reforestation, and grants to forestry-oriented organizations. The sub-functions "mines" and "oil and gas" cover outlays pertaining to the control and regulation of mining, oil and gas exploration and development, geological and mineralogical survey and research, mineral testing and assaying, construction of mining and oil and gas field roads, promotion of mining and oil and gas products, bonuses and subsidies in support of mining activities, and special instruction courses pertaining to mining and oil and gas activities. The sub-function "water power" embraces expenditure relating to hydraulic research and survey, control and regulation of dams and other water storage facilities, promotion and planning of hydraulic power installations, and flood control measures. The residual category "other" is used to cover expenditure of a general nature on natural resources and, in particular, the administration expenses of government departments entrusted with responsibilities that straddle two or more of the other sub-functions.

6.45 Agriculture, trade and industry, and tourism — This classification has three sub-functions, namely "agriculture", "trade and industry", and "tourism". The sub-function "agriculture" covers outlays for land inventory and settlement, drainage and irrigation of farm land, agricultural research and development, inspection and veterinary care of farm animals, weed and agricultural product pest control, control and regulation of farm products, promotion and marketing of farm products, bonuses and subsidies in support of farm production, grants to agriculture and farm-oriented organizations, and soil survey and conservation. The sub-function "trade and industry" is used to cover expenditure pertaining to the promotion and development of general industrial and commercial activities. It covers the administration and technical expenses of departments or agencies established to serve these purposes as well as grants and subsidies made to business concerns to further these goals. The sub-function "tourism" embraces spending in respect of tourist bureaus, camping sites outside public parks, the improvement and expansion of hotel facilities, and the promotion of tourism.

6.46 Environment — This classification has five sub-functions, namely, "water purification and

supply", "sewage collection and disposal", "garbage and waste collection and disposal", "pollution control" and "other". The sub-function "water purification and supply" covers outlays pertaining to the construction, operation and maintenance of water acquisition, treatment and distribution facilities. It also includes grants and subsidies in aid of research in this field. The sub-function "sewage collection and disposal" provides for expenditure on the construction, operation and maintenance of sewage removal and treatment facilities including expenditure on sanitary sewers and combined sanitary-storm sewers (separate storm sewers are classified under "transportation and communications — roads", see Paragraph 6.40), booster stations, reclamation of sludge areas, and on inspection, cleaning and flushing of sewers. It also covers grants and subsidies in aid of research to cope with sewage problems. The sub-function "garbage and waste collection and disposal" includes outlays to this end as well as expenditure pertaining to nuisance grounds or dumps for garbage and waste disposal purposes. The sub-function "pollution control" covers expenditure on the prevention of pollution and on obviating its detrimental effects on ecological balance and the state of the environment, but only where such expenditure cannot be allocated to a more specific sub-function, e.g., "garbage collection and disposal", "fish and game", or "recreation facilities", etc. The sub-function thus accounts for outlays on general research and control activities; it includes grants and subsidies toward the development and use of anti-pollution devices and toward undertakings designed to restore or maintain a healthy environment. The residual category "other" encompasses miscellaneous expenditure relating to the "environment" function which cannot be identified with any specific sub-function or which applies to two or more sub-functions, e.g., the administrative expenditure of a department of the environment.

- 6.47 Recreation and culture** — The principal sub-functions are "recreational facilities" and "cultural facilities". These sub-functions, however, are not always mutually exclusive; frequently a given set of facilities serves both recreational and cultural ends. In such cases expenditure is allocated to the sub-function relating to major or predominant use made of the facilities. For instance, outlays on stadiums, community centres, swimming pools, beaches, marinas, golf courses, skating rinks and arenas, amusement parks, exhibition facilities, parks and playgrounds are allocated to "recreational facilities", while "cultural facilities" covers outlays on archives, his-

toric sites, art galleries, museums, libraries, centres for the performing arts, zoos, aquariums, aviaries and planetariums. Both categories take into account respectively expenditure in the form of grants in aid of recreational or cultural activities as well as expenditure on facilities per se. While expenditure on parks might be said to comprise part of the "natural resources" function, such expenditure is classified as "recreation" because of the association of these parks with leisure activity. The residual sub-function "other" encompasses administration expenditure of departments and agencies with activities spanning both recreation and culture as well as expenditure on cinematography, amateur sport and miscellaneous services.

- 6.48 Labour, employment and immigration** — This function has three sub-functions; they are "labour and employment", "immigration", and "other". The sub-function "labour and employment" covers expenditure in respect of labour market research and matters pertaining to employer and employee relations including the promotion of improved working conditions and the provision of arbitration and conciliation services in collective bargaining. It also covers the expenditure of employment agencies such as the National Employment Service and those of similar governmental bodies or institutions. The sub-function "immigration" takes account of expenditure on the promotion of immigration and on assistance to immigrants. It also includes outlays incurred in controlling the entry of individuals into the country. The residual sub-function "other" covers the administration expenditure of government departments or agencies whose activities straddle the "labour and employment" and "immigration" sub-functions. It also includes expenditure incurred in respect of the registration of citizens and the promotion of citizenship-oriented activities.
- 6.49 Housing** — Three sub-functions are established, namely, "general assistance", "home buyer assistance" and "real property tax subsidies". The first of these pertains to expenditure on the promotion of construction of new dwellings or the renovation or improvement of existing ones. This sub-function also covers expenditure on urban renewal programs. The "home buyer assistance" sub-function covers amounts paid to buyers of new homes. The "real property tax subsidies" sub-function covers amounts paid by one government to another or to individuals in respect of property tax liability of individuals.

6.50 Foreign affairs and international assistance

— This function provides for expenditure pertaining to the formal relation of Canada with other sovereign states. It takes into account contributions made to foster economic development and improve social conditions in foreign land, e.g., the expenditure of the Canadian International Development Agency is allocated to this function. (Expenditure in respect of trade or immigration promotion abroad or cultural exchange with foreign countries is classified under "agriculture, trade and industry, and tourism", "labour, employment, and immigration", and "recreation and culture" respectively.)

6.51 Supervision and development of regions and localities

— Expenditure on the operation of government departments and agencies entrusted with specific responsibility for matters pertaining to municipal affairs is classified under this function. Generally speaking, such responsibility involves overall supervision of the municipal administrative process, establishment of standard municipal assessment procedures, approval of municipal budgets and assistance for municipal financing. The classification also includes the expenditure of bodies established to plan and promote the development of certain regions, e.g., the expenditure of the National Capital Commission and the administration expenditure of the federal Department of Regional Economic Expansion.

6.52 Research establishments

— This function covers expenditure in respect of establishments whose prime purpose is research in such fields as mathematics, physics, chemistry or engineering and the promotion of developments resulting from such activities. More specifically, it relates to expenditure on organizations like the National Research Council, Atomic Energy of Canada Limited, and provincial research councils. It does not cover the expenditure of the Defence Research Board which is allocated to the function "protection of persons and property".

6.53 General purpose transfers to other levels of government

— This function has eight sub-functions, namely, "statutory subsidies", "federal estate tax", "federal corporation income tax on privately-owned public power utilities", "federal tax on corporation undistributed income", "equalization", "Established Programs (Interim Arrangements) Act", "grants in lieu of taxes" and "other". The sub-function "statutory subsidies" is used for classifying payments made by the federal government to the provinces and territories under the terms of the British North

America Act and certain other legislation (see Paragraph 6.34). For an explanation of the items allocated to the sub-functions "federal estate tax", "federal corporation income tax on privately-owned public power utilities" and "federal tax on corporation undistributed income", see Paragraphs 5.46, 5.49 and 5.50 respectively. The sub-function "equalization" includes payments made to the provinces pursuant to federal-provincial fiscal arrangements legislation and the regulations. The sub-function "Established Programs (Interim Arrangements) Act" covers the special payments made to the Province of Quebec under the terms of this statute. The sub-function "grants in lieu of taxes" encompasses amounts paid by one government to another in respect of real property of the payor that is situated on territory under the jurisdiction of the payee and which, except for the fact that it is owned by the payor, would otherwise be subject to real property taxation imposed by the payee. The sub-function "other" brings together all other general purpose transfers made by one government to another.

6.54 Transfers to own enterprises

— This classification is used to allocate amounts that are paid by government to its enterprises for operating purposes, e.g., to cover deficits. It does not include subsidies paid to public and private concerns alike to help achieve certain economic or social objectives. These subsidies are allocated to the expenditure functions to which they are more closely related.

6.55 Debt charges

— This classification is subdivided into "interest" and "other". *It excludes debt retirements.* The "interest" sub-function covers interest paid in respect of bank overdrafts, loans and advances, certificates and deposits, bonds and debentures, mortgages, notes and all other forms of borrowing. It also covers discounts on notes and treasury bills. The sub-function "other" covers commissions and other charges on sale of securities, net discounts (or amount thereof amortized) in respect of discounts on sale of securities, net premiums (or amount thereof amortized) in respect of premiums on purchase of securities, bank service charges, net losses on foreign exchange, and other charges pertaining to the servicing of the public debt excluding administrative costs which are classified under "general government".

6.56 Other

— This classification embraces expenditure that cannot be allocated to any of the previous classifications.

Government Asset and Liability Transactions and Sources and Uses of Funds

Assets and Liabilities

7.00 In the financial management presentations of assets and liabilities, as in the case of those on gross general revenue and expenditure, one of the principal objectives is to maximise intergovernment comparability of data. For this purpose, most of the adjustments which must be made to basic balance sheet data are implicit in many of those required to arrive at gross general revenue and expenditure. The latter are dealt with in Parts V and VI and their repetition here in the specific context of the balance sheet does not appear necessary. There are, however, some points which warrant re-emphasis, and others, not dealt with in Parts V and VI, which should be noted.

7.01 The principal point to be re-emphasized is that in the gross general revenue and expenditure statistics a distinction between current account and capital account revenue and expenditure is not made. Thus, the cost of fixed assets is shown in the expenditure statistics of the period covering the time of acquisition of such assets. Fixed assets, therefore, do not appear on the financial management series balance sheets. The corollary is, of course, that the item of depreciation which normally appears on balance sheets of businesses is in non-existent on those of government as prepared for this series.

7.02 While capital account items have been reflected in the gross general revenue and expenditure series for a number of year, the deletion of fixed assets from related balance sheets is a recent development. In the past, the financial management balance sheet adhered fairly closely to the particular accounting approaches employed by individual governments; these approaches, of course, varied widely. In recent years, some of the provincial governments have adopted the practice of writing off their acquisition of fixed assets as well as the book value of their existing fixed assets; the federal government has been doing this for a number of years. There remain today (1972), however, several provincial governments which continue to carry fixed assets on their balance sheets as do most local governments and many provincial and federal special funds and agencies.

7.03 The current practice of eliminating fixed assets from balance sheets for financial management purposes was adopted in respect of 1968-69 provincial government data, and in respect of 1969 local government data. In the case of the

federal government the practice of showing detailed balance sheet data was initiated in respect of 1969-70. Since for many years the federal government has been writing off its fixed assets as expenditure in the year of acquisition, except in the case of some of its special funds and agencies, commencing with the 1969-70 data it was necessary to eliminate only the fixed assets of those special funds and agencies. For the year of implementation the book value of the existing fixed assets as reported by the individual governments was written off against the related surplus or deficit. In the data for subsequent years (and in the planned historical revision of the financial management series) all acquisitions of fixed assets will continue to be accounted for in the current year's expenditure and will not appear on the balance sheet.

7.04 Government inventories, like fixed assets, are written off as expenditure at the time of acquisition. Consequently, like fixed assets, they are not a balance sheet item. This practice was implemented at the same time as fixed assets were eliminated from balance sheet data (see the preceding paragraph).

7.05 With the elimination from the balance sheet of fixed assets and inventories, and with the treatment accorded certain other items as explained below, the financial management balance sheet presents financial assets and outstanding obligations with the difference between the two being the excess of financial assets over liabilities which may be a positive or negative amount.

7.06 As noted in Paragraph 3.07, most governments tend to place more emphasis in their reports on their budgetary positions than on the non-budgetary side of their transactions, and the difference between budgetary revenue and budgetary expenditure is generally regarded as the government's surplus or deficit. On the other hand, the financial management system does not concern itself with the budgetary vs. non-budgetary positions of governments, but with revenue and expenditure transactions which come within the government universe of the financial management system. Consequently, the budgetary surplus or deficit of a government is not to be equated with the difference between gross general revenue and gross general expenditure which is referred to as the "financial management surplus or deficit". While the former relates to a "budgetary balance sheet", the latter is

applied directly to the general government balance sheet of the financial management series where it is incorporated into the excess of financial assets over liabilities.

7.07 Many governments set aside amounts for designated future purposes. Such reserves are, for purposes of the financial management series, regarded as appropriations of the financial management surplus but, because of the wide variety of reserve accounts, these are not identified in the series concerned; rather they are included as an integral part of the excess of financial assets over liabilities.

7.08 Local and provincial governments which use some form of accrual accounting frequently establish valuation allowances relative to such assets as taxes receivable, other receivables, temporarily acquired fixed assets, investments, foreign exchange, etc. Such allowances are in effect downward adjustments of the recorded values of the related assets and are made in recognition of the probability that the assets, when disposed of, will realize less than their book values. In the financial management series such allowances, when identified, are netted against their related assets. Where governments, which use the cash basis of accounting, establish such allowances, these are treated in the financial management system as reserves and incorporated in the excess of financial assets over liabilities without any adjustment to the reported values of the related assets.

7.09 Where a government holds its own securities, whether for sinking fund or other purposes, in keeping with the principle of "gross" reporting, such holdings are included in the financial management statistics in both assets and liabilities and are so identified.

7.10 For many years government sinking funds were accorded special treatment in the evolving financial management system. The earnings of sinking funds were credited directly to these funds and not to general revenue. Interest earnings of sinking funds, unlike other interest earnings, were not deducted in arriving at net general revenue and net general expenditure when these concepts were in use. Moreover, the value of sinking funds was deducted directly from the amount of outstanding debt. Since the popularity of sinking funds appears to have diminished considerably, for purposes of the financial management series investments held as sinking fund investments are no longer distinguished from

other investments; they now comprise an integral part of general government investments. A contribution of principal by a government to its sinking fund is, for this series, regarded as an investment and is so classified. In accordance with this treatment the liabilities of sinking funds are automatically accounted for in arriving at the excess of financial assets over liabilities.

7.11 The financial management series recognizes that for analysis and for purposes of consolidation it is important to identify the balance sheet transactions of a government (or a level of government) with its own enterprises, and with other governments and their enterprises at its own and other levels. The classification frameworks for both assets and liabilities are designed to distinguish these inter- and intra-government transactions from other related ones; however, in many instances the required identification is not possible from basic data sources. Consequently, until such times as more detailed information becomes available from the governments concerned, the classification frameworks as set out in Appendix A cannot be fully implemented and in particular cases are modified in accordance with the information available.

7.12 It may be useful at this point to recall that the classification frameworks for revenue and expenditure have been, for many years, the subject of almost continuous dialogue between Statistics Canada and both suppliers and users of the related data. As a result, these frameworks are now relatively stable and are widely accepted as standards. On the other hand, the classification frameworks for government balance sheets have not received the same degree of attention. The most recent concerted effort toward the development of a balance sheet accounts classification system was that of the Eighth Federal-Provincial Conference on Municipal Finance Statistics. The culmination of seven sessions of this Conference was the Statistics Canada publications entitled *A Financial Information System for Municipalities* (Catalogue 12-532, 12-533, 12-534) which were released in October 1970. In addition to revenue and expenditure classification frameworks which are compatible with those described in this document, this publication sets out a framework for classifying local government balance sheet items. An examination of this latter framework will show its potential to yield a wealth of analytical data. In essence, this structure, with appropriate amendments for other levels of government, is regarded as the goal of the financial management

statistical data on balance sheets. However, as noted above, the current presentations must necessarily be modified somewhat.

7.13 In the financial management series assets and liabilities are ascribed the conventional accounting meanings of these terms. Data on assets are presented in a framework designed to show the major categories of assets, generally in descending order of liquidity, the components of the major categories also in descending order of liquidity, the debtor, and supplementary information (e.g., type of security). The framework for the liability data parallels that on the asset side. "Short-term" assets and liabilities are those with an original term to maturity of one year or less; others are regarded as being "long-term". While earnest attempts are made to distinguish "short-term" items from "long-term" items, identification is not always possible and, generally speaking, classification to the "short-term" category is made only on relatively clear evidence in the absence of which the item is relegated to the "long-term" group. It is apparent that all long-term securities assume "short-term" characteristics as they approach maturity. This aspect is not taken into account by the financial management statistics; a security once properly classified as being "long-term" remains so classified to maturity.

7.14 Throughout the classification frameworks described in the ensuing paragraphs, various items are broken down by captions prefaced by "own" or "other". The designation "own" refers to the specific government concerned; e.g., for statistics on a particular province "own provincial government enterprises" or "own local governments" means enterprises or local governments of that province and not those of another province, and for statistics on a particular province's local governments, "own provincial government" means the government of the province concerned.

Classification of Assets

7.15 **Cash on hand and deposits** — This category includes currency on hand, or in the hands of collectors and on deposit. Distinction is made between Canadian and foreign holdings and between deposits in chartered banks and in other financial institutions. Canadian holdings are further differentiated by type of deposit. It is the practice to deduct from demand deposits the cheques outstanding at the end of the accounting period where a government shows these as a

liability. Foreign holdings are shown at Canadian dollar equivalents as converted by the government concerned.

7.16 **Receivables** — This category encompasses amounts currently due as well as accrued receivables. Three specific categories of receivables are identified. "Taxes" covers all taxes receivable including arrears. Receivables arising from a government's sale of goods and services are recorded under the caption "trade accounts". The sub-classification "interest" is self-explanatory. "Other" is a residual category but, unlike most residual categories of the classification frameworks presented in this document, it is of major significance since it is here that receivables due from other governments and their enterprises are isolated. Such receivables include general and specific purpose transfers and grants in lieu of taxes.

7.17 **Loans and advances to** — No distinction is made between loans and advances. Moreover, it is frequently difficult to distinguish these items from investments. Yet, most governments make this latter distinction, and for financial management purposes, their designation is generally accepted. However, where it is apparent that a specific security (other than a form of promissory note) has been issued by the borrower and lodged with the lender, the amount relating thereto is not classified under this caption but rather under "investments". For example, the special securities issued by provinces and lodged with the Canada Pension Plan fund are regarded as an investment of the federal government rather than as a loan or advance. Similarly special securities issued by municipalities in respect of funds obtained from provincial bodies established to facilitate municipal financing are regarded as provincial investments rather than loans. It is particularly difficult to classify government lending transactions to its own enterprises because these are, in many cases, designated differently by the lender and the borrower. The government concerned may regard the amounts placed at the disposal of its enterprise either as a loan or advance or as an investment notwithstanding the security it receives, whereas enterprises tend to classify such amounts by reference to the type of security issued. While the precise allocation of such "government-own enterprise" transactions does not appear to be very important since these are essentially non-arm's length transactions, for purposes of this series the classification used generally reflects the treatment accorded the transaction by the enterprise

concerned; i.e., an enterprise's "loans and advances payable" are classified as "loans and advances receivable" of its provincial government while "capital stock" and "debentures" are classified as "investments" of the provincial government.

The main breakdown of loans and advances is by the government, government enterprise or other entities (individuals, business, hospitals (non-government or other)) to whom the monies are advanced. The secondary breakdown is by "short-term" or "long-term" based on the original term to maturity. Where the term is not apparent, a "short-term" vs. "long-term" breakdown is not provided.

7.18 Investments — As noted above, it is frequently difficult to distinguish between loans and advances on the one hand and investments on the other. However, in broad terms, this latter category includes amounts placed in "market" securities as well as those placed in special (often non-market) securities issued in respect of the specific amounts received. In the financial management publications on assets and liabilities, supplementary tables show investments by "market" and "non-market" categories. In the main statistical tables, investments are broken down into the prime categories of "Canadian" and "foreign". The "Canadian" group is broken down by "short-term" and "long-term". Canadian investments are those issued by a government in Canada or by other Canadian entities; all others are regarded as "foreign" investments. It is important to note that the designations "short-term" and "long-term" relate to the original term to maturity of the security concerned; these designations do not purport to reflect the investor's intended holding period. However useful it might be to classify holdings by the time-period over which the holder intends to continue holding the security concerned, this is not currently a practicable classification criterion.

A further subsidiary breakdown of the "Canadian" sub-classification is by issuer of the security identified as government, government enterprise or non-government (corporations, hospitals, or other) and by type of security concerned. Government and government enterprise issues are shown according to the guarantee, if any, which they carry. (Since hospitals owned and operated by government comprise an integral part of the general government universe, any securities issued by such hospitals (e.g., some local government hospitals) are regarded

as securities of the parent government and only securities issued by non-government hospitals would fall into the "hospital" caption.)

Attention is drawn to the item "capital stock" which appears under both the "government enterprise" caption and the "corporations" caption. Amounts are classified under the first-mentioned only in cases where the government concerned owns over 50% of the entity's capital stock. This "rule" is a major criterion in determining whether a particular entity is a government enterprise (see Paragraph 3.12). All other holdings of corporation share capital are classified as "corporations — capital stock". All foreign investments are grouped together and are shown at the Canadian dollar equivalent as converted by the individual governments concerned.

7.19 Other financial assets — This category encompasses financial asset values which cannot be assigned to more specific classification categories. It includes prepaid expenses, deferred charges, debit balances in suspense accounts, as well as deposits and quasi-trust amounts for which there are contra liabilities (to entities outside the general government universe). This caption also covers values of temporary holdings of fixed assets by local governments.

Classification of Liabilities

7.20 Borrowings from financial institutions — Bank overdrafts as reported by the governments concerned are classified in this category. However, where demand deposits are insufficient to cover reported outstanding cheques the amount of such deficiency is added to reported overdrafts. All other loans and advances from chartered banks and other financial institutions are shown separately but without distinction as to term. In most cases these loans and advances are made initially for a short term which, however, may be subject to extension.

7.21 Payables — The basic structure of this category parallels that set out for receivables (see Paragraph 7.16). The individual items within the category are largely self-explanatory. As in the case of receivables, accrued payables are included in the appropriate sub-classification to the extent they are reported by individual governments.

7.22 Loans and advances from — This classification parallels the corresponding classification on the asset side but the number of sub-classifications is fewer in accordance with the "normal"

borrowing channels used by governments. All unsecured loans and advances are included under the caption as are those secured by short-term and long-term notes. Among the principal items included at the federal level are overpayments to the provinces in respect of the federal-provincial fiscal arrangements.

7.23 Savings bonds, treasury bills and other – Short-term – Because Canada savings bonds and similar issues by some provinces may be encashed at any time, they are regarded as short-term securities notwithstanding the fact that their original term to maturity extends beyond the one-year limitation described in Paragraph 7.12. Together with treasury bills issued for a term of one year or less and other short-term securities not elsewhere classified, they are grouped under this caption by creditor.

7.24 Bonds, debentures and treasury bills – Long-term – For purposes of the main statistical presentation all bonds and debentures are assumed to have an original term to maturity of more than one year and as thus are classified as “long-term” securities. Treasury bills with a term to maturity of more than one year are also classified under this caption. Supplementary statistical tables are provided to show bonds, debentures and treasury bills by actual maturity dates. Other supplementary tables show a breakdown of these securities between “market” and “non-market”.

7.25 Pension plans, deposit and other liabilities – Some governments have liabilities to trustee pension plans and the amounts concerned are separately identified. Since pension plans operated by governments themselves (non-trustee pension plans) constitute an integral part of the general government universe, pension-related transactions are covered within the current year's general revenue and expenditure. Consequently, pensions payable in years subsequent to the year under review cannot be regarded as liabilities. “Deposits due to” is a miscellaneous category except that the “provincial government enterprises” caption accommodates amounts held by certain provincial governments for the account of their treasury branches or their equivalents which are enterprises within the concepts of the financial management system. The “other liabilities due to” category is a residual category.

7.26 Excess of financial assets over liabilities – This item is self-explanatory.

Sources and Uses of Funds

7.27 The financial management system provides data on the funds available beyond the gross general revenue framework and the uses to which these funds are put beyond the gross general expenditure framework. This presentation traces the major changes in government balance sheet data from one year-end to the next, and is useful in the development of a comprehensive picture of government's management of its financial affairs.

7.28 In essence, all sources and uses of funds statements, whether on business or on government, are similar in nature; they show the funds available from the current operations and from transactions involving increases in liabilities and decreases in assets, and the uses to which such funds are put, namely, the covering of current operating deficits, increases in assets and decreases in liabilities. In form and detail, however, the statements on government depart from those generally used by business.

7.29 Since capital revenue and expenditure of government are included in gross general revenue and expenditure, these items are not isolated in the sources and uses of funds statements on government as they usually are in similar statements on business. Moreover, the statements on government are oriented toward the identification of intra-, inter- and extra-government transactions by type, and toward showing the changes in year-end cash balances. These objectives are accomplished through a matrix in conformity with the proforma table set out in Appendix A.

7.30 The proforma table provides columns for the identification of various types of transactions which give rise to funds or in respect of which funds are applied. These are:

- (a) “Surplus or deficit”. Amounts entered in this column are the financial management surplus or deficit which is not to be confused with budgetary surplus or deficit. (See Paragraph 7.06.) The same column is also used for recording the net difference between recoveries of prior years' expenditure and refunds of prior years' revenue which are not brought into the current year's gross general revenue and expenditure.
- (b) “Receivables or payables”.
- (c) “Loans and advances”.
- (d) “Treasury bills”.

- (e) "Bonds and debentures" with distinction among transactions involving —
 - (i) "Canada Pension Plan",
 - (ii) "savings bonds",
 - (iii) "other bonds or debentures".
- (f) "Other" which include transactions relating to mortgages, capital stock, deposits and miscellaneous items.

Reference should be made to the explanations provided on the asset and liability classification systems for more detail on the components of these captions.

7.31 The rows of the proforma matrix table provide for the identification of second party to the particular transaction (the first being the party which is the subject of the statement). Changes

in assets and liabilities of the subject government as these relate to second parties are set out successively to facilitate determining the net change resulting from all transactions with each second party.

7.32 The row "net sources and uses of funds during year" shows the net supply and the net use of funds by type of transaction; the difference between the total net supply and the total net use of all transactions is reconciled to changes in cash balances.

7.33 A detailed matrix table is provided for the federal government, for each of the provincial governments and for local governments by province. In addition, for each level of government, a summary statement isolating the principal sources and uses of funds is also provided.

PART VIII

The System of Government Financial Management Statistics and the Government Sector of the System of National Accounts

8.00 The financial management system is designed to accommodate the particular activities of governments and of government enterprises in Canada. Its objective is to show government involvement in financial, economic and social activities at national, provincial, regional and local levels. The system covers all forms of government financial involvement regardless of the administrative structure established for the discharge of particular functions. The two principal elements of the system are (a) general government and (b) government enterprises. The system of national accounts, on the other hand, is structured in broad outline on international concepts and classifications. It comprises the national income and expenditure accounts, the financial flow accounts, the balance of payments, the index of real domestic production as well as productivity and input-output studies.

The prime concern of this Part is the relationship between the financial management gross general revenue, expenditure, asset and liability data and corresponding data of the government sector of the national income and expenditure accounts and the financial flow accounts.

8.01 The composition of the government sector of the system of national accounts differs somewhat in design, purpose and orientation from the concept of government in the financial management system. A major difference is in the treatment of government enterprises, although there are also conceptual and classification differences between the two systems in their treatment of particular government transactions. For purposes of the national accounts, government enterprises fall, by and large, into the business sector and not into a category of their own as they do for purposes of the financial management series. Moreover some operations are regarded as those of government enterprises for one system but not for the other.

8.02 The principal differences in the coverage of the two systems are indicated in the table below. In any comparison of general government financial management data with corresponding data for the government sector of the national accounts, the differences must first be reconciled. Other adjustments are also required and these are explained in the ensuing paragraphs.

Basic Differences in Statistical Coverage

Item	Government Sector National Income and Expenditure and Financial Flow Accounts	General Government Financial Management System
1. Government enterprises:		
General rule	Remitted profits less contributions to offset losses are brought into government revenue; unremitted profits are accounted for in the business sector.	Remitted profits are brought into government revenue and contributions to offset losses are shown as government expenditure; relatively complete financial transaction data are presented in the government enterprise series.
Special cases:		
(a) Provincial liquor boards	Remitted and unremitted profits are brought into government revenue	General rule applies.
(b) Post Office	Treated as a government enterprise — general rule applies.	Treated as an integral part of government.
(c) Bank of Canada	Treated as a government enterprise — general rule applies.	Treated as an integral part of government.
2. Hospitals	Covers local government hospitals, provincial general hospitals and other non-government public hospitals.	Only government-owned and operated hospitals are included; transfers to all other hospitals are reflected in government expenditure.

8.03 The particular treatment in the national accounts of liquor board, Post Office and Bank of Canada transactions rests essentially on international convention. The case for treating hospi-

tals as a separate sub-sector of government rests on the substantial government aid to public hospitals which constitutes a large portion of their revenue.

Reconciliation of Revenue

8.04 Personal income tax — The federal government and the government of the Province of Quebec collect their own personal income tax. Their collections are deemed to relate to current liability and thus constitute revenue from this source for national accounts as well as for financial management purposes. For the provinces other than Quebec, the personal income tax is collected by the federal government under the terms of federal-provincial tax collection agreements. Before the beginning of a fiscal year the federal government makes estimates of the amounts of provincial personal income tax to be collected in each of the nine provinces. These estimates are used in making monthly payments to the provinces. Periodically, adjustments are made to these payments on the basis of actual collection experience. For purposes of the financial management statistics it is the amount of these payments that is recorded as provincial revenue. For purposes of the national accounts, however, the income of the provinces concerned is deemed to be the amount credited by the federal government to their account on the basis of actual monthly collections. The reconciliation of the financial management statistics to the corresponding data of the national income and expenditure accounts thus calls for the replacement for the provinces concerned of the federal payments in respect of personal income tax by the amount of the actual federal collections credited to these provinces.

8.05 Corporation income tax — On a current basis, the amount of corporation income tax collected rarely agrees with the corresponding accrued liability. Corporations have the option of remitting income tax payments either on the basis of their taxable income for the immediately preceding year or on an estimate of their current year's profit. The choice of base tends to depend upon the profit outlook but generally there is a time lag of three to six months between the accrual of an income tax liability and its full discharge. Since the financial management series attempts to measure government transactions on a cash basis, it takes into account collections of income tax as they are made. On the other hand, the orientation of the national income and expenditure accounts requires that the accrued income tax liability based on estimated current earning of business be taken into account. The latter, in effect, obviates the effects of the above-mentioned time lag and establishes government revenue from corporation income tax on a basis comparable to that used in the business sector for establishing current profit positions. To reconcile the financial manage-

ment series with the corresponding data of the national income and expenditure accounts it is thus necessary to replace corporation income tax collection by the corporation income tax accrued liability.

8.06 Transfers from other levels of government — For purposes of the financial management system, the amounts recorded as transfers from other levels of government are the amounts reported by receiving governments. For purposes of the system of national accounts, the corresponding amounts are those recorded as having been remitted by paying governments. The reconciliation of the financial management statistics with the corresponding data of the system of national accounts thus entails the substitution of transfers recorded as having been made by paying governments for the corresponding transfers reported by receiving governments.

8.07 The Post Office, the Bank of Canada and liquor boards — The Post Office and the Bank of Canada are considered as government enterprises and provincial liquor boards are treated as working capital advances for purposes of the system of national accounts. This contrasts with the treatment which these agencies receive in the financial management system where the Post Office is a department, the Bank of Canada is a special fund, and provincial liquor boards are enterprises. For national accounts purposes, both the remitted and unremitted profits of provincial liquor boards and only the remitted profits of the Post Office and the Bank of Canada are brought into government revenue. Thus to reconcile the statistics of the financial management system with the corresponding data of the system of national accounts it is necessary to add the remitted profits of the Post Office and the Bank of Canada and the unremitted profits of provincial liquor boards to government revenue and to subtract from government revenue the revenues of the Post Office and the Bank of Canada.

8.08 Social insurance levies — Both systems take account of social insurance levies but in different ways. The financial management system regards government-operated social insurance programs as integral components of government and brings their receipts together with those of the government concerned. In the process, the contributions of these governments as employers to the social insurance programs that they operate are eliminated as intra government transactions. The system of national accounts also considers government-operated social insurance programs as parts of government but does not eliminate the contributions as employers of the governments concerned in consolidating government

revenue. This results in a certain inflation of revenue which is offset by an equivalent inflation of expenditure. This inflation of revenue is necessary to arrive at a consistent measure of labour income in the context of the system of national accounts. The reconciliation of the two systems requires, however, that an addition be made to the relevant financial management data to come up to the corresponding national accounts figures.

The transactions of workmen's compensation boards are subject to a further reconciliation adjustment. These programs involve disbursements in respect of income maintenance (pensions) and health care. For national accounts purposes, health costs are deemed to be employer's outlays for the purchase of health care services for qualifying employees; they are considered to flow directly from employers to the services concerned and not to involve government (except to the extent that the services are provided by government e.g. a public hospital). Thus that part of employer contributions to workmen's compensation boards that relates to the purchase of health care services is not brought in government revenue. The financial management system does not distinguish between the income maintenance and health care aspect of the contributions. The total contributions constitute government revenue from social insurance levies (see paragraph 6.19). Thus to reconcile the statistics of the financial management system with the corresponding data of the system of national accounts, it is necessary to deduct that part of total contributions to workmen's compensation boards that pertains to health care services.

8.09 Non-trusted public service pension plans —

The general comments on social insurance levies (Paragraph 8.08), excluding the modification thereof in respect of workmen's compensation, have equal application to the treatment of non-trusted public service pension plans.

8.10 Universal pension plan levies — The system of national accounts and the financial management system consider the Canada and Quebec pension plans as parts of government. However, while the transactions of these plans are integrated to those of their parent governments for purposes of the financial management system, they are set out as those of separate government sub-sectors for purposes of the system of national accounts. To reconcile the statistics of the financial management system pertaining to the revenues of the federal and provincial levels of government with the corresponding data of the system of national accounts, it is necessary to

deduct all contributions to these plans that do not originate from their parent governments. The reconciliation of the financial management statistics pertaining to the consolidated revenue of all governments with the corresponding data of the system of national accounts calls for the addition of the contributions to these plans that originate from their parent governments (implicitly this results in an inflation of revenue equal to the amount of these contributions but this is necessary to arrive at a consistent measure of labour income in an all-sectors perspective).

8.11 Proceeds from sales of land and used fixed assets —

Proceeds from sales of land and used fixed assets constitute government revenue for purposes of the financial management system but are disregarded for purposes of the system of national accounts because the transactions concerned do not add to the gross national output. These proceeds must be deducted from the government revenue of the financial management system to reconcile to the corresponding data of the system of national accounts.

8.12 Proceeds from sales of goods and services —

The financial management system endeavours to show government transactions on a gross basis. For this reason, it brings into government revenue the proceeds from sales of goods and services generated by activities associated with the discharge of government functions. Such amounts, however are not brought into government revenue for national accounts purposes but are offset against expenditure on goods and services. For reconciliation purposes, it is thus necessary to deduct the proceeds arising from these transactions from the government revenue and expenditure of the financial management system.

8.13 Other adjustments —

There are numerous other adjustments which must be made to the government revenue of the financial management system to complete the reconciliation with the system of national accounts. One such adjustment relates to an imputation of interest revenue on government bank balances which is made for purposes of the system of national accounts but which is not reflected in the corresponding data of the financial management system. Adjustments are also required in respect of the different approaches used in the two systems in consolidating operations of certain special funds with those of their parent governments and in integrating into government the transactions of special funds with year-ends differing from those of their parent governments. In consolidating the accounts of special funds with those of their parent governments, the financial management system adheres to the general phi-

losophy of showing gross amounts while the system of national accounts often incorporates net figures. With some exceptions, the financial management system includes in the data for a given year transactions of special funds for the year corresponding most closely with that of their parent governments while the system of national accounts adjusts the transactions of special funds to bring them to the same period as that of their parent governments.

Reconciliation of Expenditure

- 8.14** The introductory paragraphs to this part should be read in conjunction with the comments that follow. Moreover a number of the adjustments required to reconcile the government expenditure of the financial management system with the corresponding data of the system of national accounts are contra entries to the adjustments described in paragraphs 8.04-8.13. Consequently the explanations provided in these paragraphs should also be applied to the expenditure side. The specific references are as follows.

Expenditure of the Post Office and the Bank of Canada (see paragraph 8.07)

The Post Office and the Bank of Canada are considered as government enterprises for national accounts purposes; hence their expenditures are excluded from government expenditure. To reconcile the statistics of the financial management system with the corresponding data of the system of national accounts, deduction must be made of the expenditures of these two agencies.

Social insurance programs (see paragraph 8.08)

An addition is needed to the government expenditure of the financial management system to take account of the contributions of governments as employers to the social insurance programs which they operate. These contributions are included in the corresponding data of the system of national accounts where they offset an equivalent amount added to government revenue from social insurance levies. A deduction is required for that part of the expenditure of workmen's compensation boards that relates to health care services since outlays for this purpose are deemed not to involve government for purposes of the system of national accounts.

Non-trusted public service pension plans (see paragraph 8.09)

An addition is needed to the government expenditure of the financial management system to take account of government contributions as employers to the non-trusted public pension plans which they operate. These contri-

butions are included in the corresponding data of the system of national accounts where they offset an equivalent amount added to government revenue from non-trusted public service pension plans.

Universal pension plans (see paragraph 8.10)

The transactions of the Canada and Quebec Pension Plans are set out as those of separate sub-sectors of government for purposes of the system of national accounts. The reconciliation of the financial management statistics pertaining to the federal and provincial levels of government to those of the provincial and local government sub-sectors of the system of national accounts requires the deduction of the expenditures of these plans.

Purchases of land and used fixed assets (see paragraph 8.11)

These transactions do not affect the gross national output and are ignored for national accounts purposes. Outlays of the kind included in financial management statistics must be deleted to reconcile to the corresponding data of the system of national accounts.

Proceeds from sales of goods and services (see paragraph 8.12)

These proceeds must be netted out of government expenditure for financial management purposes to arrive at the corresponding national accounts data.

Other adjustments (see paragraph 8.13)

One such adjustment relates to an imputation of expenditure for banking services provided without charge to government which is made for purposes of national accounts but which is not reflected in the corresponding data of the financial management system. Other adjustments relate to the different approaches used in the two systems in consolidating the operations of certain special funds with those of their parent governments and in integrating into government the transactions of special funds with year-ends differing from those of their parent governments.

- 8.15** The only items requiring adjustments which are peculiar to the expenditure side are purchases of new fixed assets and depreciation.

- 8.16** **Purchases of fixed assets** — The system of national accounts differentiates between capital and current transactions. Current expenditure is established to arrive at the saving position. The saving position is then adjusted to reflect capital outlays for the acquisition of new fixed assets (gross fixed capital formation) and the residual constitutes the surplus or deficit of the sector. The most logical reconciliation of government

expenditure as per financial management system to the corresponding data of the system of national accounts must then be in terms of current expenditure. This reconciliation implies the deletion of capital outlays for the acquisition of new fixed assets from the financial management statistics.

8.17 Depreciation In the financial management series, no distinction is made between capital and current expenditure: the cost of assets is written off at the time of acquisition and there is thus no provision for their depreciation. In the national income and expenditure accounts, however, distinction is made between capital and current expenditure and a capital consumption allowance is included in current expenditure in respect of the depreciation of assets accumulated as gross fixed capital formation. The reconciliation of the two systems thus calls for adding to the government expenditure of the financial management system the depreciation or capital consumption allowance included in the government expenditure of the system of national accounts.

8.18 Appendix G to this report provides pro-formas for the reconciliation of government revenue and expenditure as per financial management system to the corresponding data of system of national account.

Reconciliation of Sources and Uses of Funds

8.19 The financial flow accounts of the System of National Accounts present a statement of sources and uses of funds for the federal government and for the provincial and local governments. To reconcile the sources and uses of funds statements prepared as part of the financial management series with those of the financial flow accounts it is necessary to make the adjustments for the differences in the statistical universe and to take account of all revenue and expenditure transactions which affect the balance sheet. The specific adjustments required are for the most part implicit in those described in the preceding paragraphs of this Part.

Other Series of the Financial Management System

Consolidated Government Accounts

9.00 Because the operations of a government are frequently carried out by various administrative and organizational structures or entities among which intermediate or non arm's-length transactions take place, it is not possible to construct a picture of its total involvement in the provision of services unless adjustments are made to obviate possible double or multiple counting of these intra-government transactions. Thus, to show as accurately as possible financial data on a particular government, numerous "consolidation adjustments" are required. These are made at various stages of the compilation of data on individual governments.

9.01 At the local government level where fund accounting is used extensively, the first consolidations involve bringing together the transactions of the various funds on an unduplicated basis. Secondly, in order to show the operations of local government within a province on an aggregate basis, the duplicative effects of inter-local government transfers and of certain inter-local government purchase-sale transactions (see below) are eliminated.

9.02 The preliminary consolidations at the federal and provincial levels of government involve the bringing together on an unduplicated basis of departmental operations (which generally are regarded as budgetary operations) and those of special funds, non-trusted public service pension plans, social insurance programs and universal pension plans (generally regarded as non-budgetary operations). As in the case of the local level, the data resulting from these preliminary consolidations constitute the statistics published on the individual levels of government.

9.03 Data on each of the federal and the provincial and local levels of government constitute the basis of inter-government consolidations which are published in *Consolidated Government Finance* (Catalogue 68-202). The main objective of this series is to portray the involvement in the provision of services (a) of all levels of government as an integrated unit, and similarly (b) of the provincial and local levels of government as an integrated unit. The former shows the position of "government" as a single unit in respect of revenue raised and expenditure made, while the latter does likewise but only for the provincial and local levels of government. The provincial-local consolidations are of special importance. Because of the absence of uniformity

among provinces in the sharing of provincial-local responsibilities, interprovincial comparisons on the individual levels of government are difficult to make; the consolidated provincial-local data provide a more appropriate basis for such comparisons.

9.04 The types of intergovernment transactions which must be adjusted in the process of consolidation are: (a) transfers, which constitute an expenditure for one government and revenue for another, i.e., general or specific purpose transfers, (b) purchase-sale transactions, in which one government buys from another a commodity or service for resale to the population or territory under its exclusive jurisdiction (so far as the particular commodity or service is concerned). An example of the particular purchase-sale transaction referred to here is the purchase by one municipality of water from an adjacent municipality for distribution (resale) to its residents. This type of sale is confined largely to the local government level, but where it takes place between other governments it also is subject to consolidation procedures.

9.05 In principle the technique of consolidating data on two or more levels of government is straightforward; the combined revenue and the combined expenditure of the governments concerned are each adjusted downward by the amount of any intergovernment transaction involved. In practice, however, amounts reported as having been paid often do not agree with the corresponding amounts reported as having been received. These differences do not cause problems with regard to proceeds from intergovernment sales since the consolidation adjustments are all made in the accounts of the receiving governments* but such is not the case for intergovernment transfers where the consolidation adjustments have to be made in the accounts of the paying and receiving governments.

9.06. In as much as there are no grounds for questioning the amounts reported by the governments concerned, the practice is to adjust the relevant combined revenue by the amount reported as transfer revenue and the relevant combined expenditure by the amount reported as transfer expenditure.

Government Enterprises

9.07 The criteria used in establishing what government operations fall into the government enterprise statistical universe are outlined in

Paragraphs 3.09 to 3.15 and the treatment accorded government enterprise transactions covered in Paragraphs 4.06, 4.07 and 5.24 to 5.28. This section deals briefly with the statistical data issued on government enterprises themselves.

9.08 The publications on federal and on provincial government enterprise finance report data within generally accepted business classification frameworks and accounting terminology. Consequently an elaboration in this Part of these aspects is considered unnecessary and reference is made only to the highlights of the classification structure used in these publications.

9.09 The income of government enterprises is sub-divided into four categories; namely "sales of goods and services", "investments", "transfers from governments or government enterprises", and "other". "Sales of goods and services" embraces the proceeds of current sales of goods bought for resale and those of goods and services produced as part of normal operations. Sales are reported net of rebates or discounts. "Investments" encompasses "interest from" shown by payor and other investment income, such as dividends and rentals, classified in the residual sub-category "other". (Government agencies which rent almost exclusively to other government bodies are not treated as enterprises for purposes of the financial management system but as part of the general government universe.) The classification "transfers from governments and government enterprises" distinguishes among payors and includes grants and payments from governments and government enterprises in respect of current expenditure other than subsidies and reimbursements for deficits incurred. Amounts received from governments on account of deficits incurred in current or prior years are excluded from income and shown in surplus account transactions. The classification "other" relates to income of a current nature not otherwise specified and includes general subsidies.

9.10 The expenditure of government enterprises is broken down into four categories namely, "cost of sales of goods and services", "interest to", "provision for depreciation" and "other". "Costs of sales of goods and services" embraces expenses in respect of goods and services used in current operations including wages, salaries, and other related costs. "Interest to" consists of interest on loans and advances and bonds and debentures, identified by payee. "Interest to" non-government parties includes interest on commercial debt in the form of bank overdrafts

and other business credits. "Provision for depreciation" is recorded at the amount charged by the enterprise, regardless of method of computation. The residual category "other" covers allowances for doubtful accounts, losses on foreign exchange, charges for depletion, amortization of preproduction and development expenses, and non-operating expenses charged against current year's revenue, such as amortization of bond discount and bond redemption expenses.

9.11 The assets of government enterprises are allocated to nine main classifications. These are: "cash on hand and deposits", "accounts receivable", "accrued revenue and prepaid expenses", "inventories", "amounts due from governments, government enterprises and others", "investments", "fixed assets", "deferred charges" and a residual category "other". Trust and deposit accounts such as contractors' security deposits and staff saving funds are not shown as enterprise assets but are offset against contra liability items. In publications prior to those pertaining to 1969, a separate classification "restricted funds" was used to segregate assets held either by enterprises or by trustees for such purposes as future payments for assets or services, payments of existing, real, or contingent liabilities, or the repayment of debt. In publications for 1969 and subsequent years, these assets are allocated to their relevant asset classifications.

9.12 The liabilities of government enterprises are allocated to five main classifications. These are "accounts payable", "accrued expenditure and deferred credits", "amounts due to governments, government enterprises and others", "trust and deposit accounts", and a residual category "other".

9.13 The equity of government enterprises is the excess of their assets over their liabilities. It represents shareholders' interest and consists of the following accounts:

- a) "capital stock" which self-explanatory,
- b) "interest-free working capital" which is self-explanatory,
- c) "fixed assets transferred" which comprises assets constructed or acquired by governments and transferred to enterprises,
- d) "other equity" which is equity acquired through special arrangements in respect of debt repayment, e.g., local hydro authorities repaying debt incurred by a provincial hydro authority in establishing facilities for servicing particular areas.

e) "equity reserves" which brings together appropriations of surplus, namely, "contingencies including rate stabilization", "acquisition of capital assets", "insurance", "sinking funds" and "other reserves".

f) "surplus which arises from earnings on operations, extraneous profits such as those derived from sales of fixed assets and investment securities, changes in appraisal values of fixed assets and contributions such as those in respect of deficits.

9.14 The detail of the classification frameworks used in the publications on enterprise finance are set out in Appendix B. It is apparent from these frameworks that one of the principal orientations of the data issued on enterprises is the analysis of their transactions with their parent governments. Another such orientation (although not apparent from the said classification detail) is the analysis by industrial groupings of the enterprises. In accordance with the *Standard Industrial Classification Manual* (Catalogue 12-501), government enterprises are grouped by their common principal activity, e.g., transportation and communication, finance, manufacturing, etc., and their financial transactions are shown by these groupings. In addition, for provincial government enterprises, the financial data are shown by province.

9.15 While it is recognized that a breakdown of enterprise assets and liabilities by term (i.e., short-term and long-term), as is provided in respect of general government, would be useful analytical data, such a breakdown is not feasible on the basis of information contained in most financial reports issued by government enterprises.

Employment and Payrolls in Governments and Government Enterprises

9.16 The series on employment and payrolls in government and government enterprises constitute an elaboration of a particular area of expenditure in the financial management system. Payrolls are a major component of expenditure on many functions and data on the subject complement the other series of the system.

9.17 At the federal and provincial levels of government, the series provide a breakdown of the number and remuneration of employees in government establishments and government enterprises. The universe is the same as that of the other series of the financial management system. Tables show the number of employees by function and sub-function of expenditure.

9.18 For the local level of government, the number of employees and their remuneration are provided by province for municipalities with populations under 10,000, between 10,000 and 50,000 and over 50,000. For urban municipalities with populations over 10,000 a provincial allocation of employees is made between those employed in general services and those in activities pertaining to waterworks. Supplementary tables show the number and remuneration of employees in urban municipalities, in metropolitan areas and major urban areas.

9.19 For information on the historical background of, and on the sources and methods used in compiling the employment and payrolls series, the user should refer to Paragraphs 2.22 to 2.24 and 4.08 to 4.10.

¹ *The amounts reported by governments as intergovernment revenue from sales of goods and services are offset by equivalent amounts deducted from their expenditure because the costs of the goods and services concerned are not in the end borne by these governments but by those who purchased and provided them to the community.

APPENDIX A

Classification Frameworks - General Government

Table 1. Gross General Revenue

Taxes	
1. Personal income taxes	
2. Payroll tax	
3. Corporation income taxes	
4. Taxes on insurance premiums:	
(a) Fire	
(b) General	
Sub-total	
5. Other taxes on corporations and businesses	
6. Tax on certain payments or credits to non-residents	
7. Real and personal property taxes:	
(a) Real property Special assessments	
(b) Real property Residential	
(c) Real property Commercial and industrial	
(d) Real property Farm	
(e) Real property Occupancy	
(f) Personal property	
(g) Other	
Sub-total	
8. General sales taxes	
9. Motive fuel taxes	
10. Alcoholic beverage taxes	
11. Tobacco taxes	
12. Taxes on amusements and admissions to places of entertainment	
13. Taxes on other commodities and services	
14. Customs duties	
15. Taxes on estates, successions, and gifts:	
(a) Estate tax	
(b) Succession duties	
(c) Gift taxes	
Sub-total	
16. Health insurance premiums:	
(a) Hospitalization premiums	
(b) Medicare premiums	
Sub-total	
17. Social insurance levies:	
(a) Unemployment insurance contributions	
(b) Workmen's compensation contributions	
(c) Vacation-with-pay contributions	
Sub-total	
18. Universal pension plan levies	
19. Other taxes	
Total, taxes	
Natural resource revenue	
20. Fish and game	
21. Forests	
22. Mines	
23. Oil and gas	
24. Water power	
25. Other	
Total, natural resource revenue	
Privileges, licences and permits	
26. Liquor control and regulations	
27. Motor vehicles	
28. Concessions and franchises	
29. Other	
Total, privileges, licences and permits	

Table 1. Gross General Revenue — Continued

Sales of goods and services	
30. Institutional ¹	
31. Intergovernment:	
(a) Manpower training	
(b) Police	
(c) Other	
Sub-total	
32. General (other than 30 and 31):	
(a)	
(b)	
(s)	
Sub-total	
Total, sales of goods and services	
Return on investments	
33. Remittances from own enterprises:	
(a) Liquor boards (trading profits only)	
(b) Other enterprises	
Sub-total	
34. Dividends	
35. Interest	
36. Foreign exchange fund	
37. Other	
Total, return on investments	
Other revenue from own sources	
38. Contributions to non-trusted public service and teachers' pension plans	
39. Postal receipts	
40. Bullion and coinage	
41. Fines and penalties:	
(a) Interest and penalties on taxes	
(b) Other	
Sub-total	
42. Miscellaneous	
Total, other revenue from own sources	
Total, gross general revenue from own sources	
General purpose transfers from other levels of government and their enterprises	
43. Transfers from the federal government:	
(a) Statutory subsidies	
(b) Share of federal corporation income tax on privately-owned public power utilities	
(c) Share of federal tax on corporation undistributed income	
(d) Share of federal estate tax	
(e) Equalization	
(f) Established Programs (Interim Arrangements) Act	
(g) Grants in lieu of taxes	
(h) Other	
Sub-total	
44. Transfers from federal government enterprises:	
(a) Grants in lieu of taxes	
(b) Other	
Sub-total	
45. Transfers from provincial governments:	
(a) Grants in lieu of taxes	
(b) Other	
Sub-total	

¹ Includes all revenue of government-owned and operated institutions.

Table 1. Gross General Revenue — Concluded

General purpose transfers from other levels of government and their enterprises — Concluded	
46. Transfers from provincial government enterprises:	
(a) Grants in lieu of taxes	
(b) Other	
Sub-total	
47. Transfers from local governments	
48. Transfers from local government enterprises:	
(a) Grants in lieu of taxes	
(b) Other	
Sub-total	
Total, general purpose transfers	
 Specific purpose transfers from other levels of government and their enterprises	
49. Transfers from the federal government:	
(a)	
(b)	
.....	
(s)	
Sub-total	
50. Transfers from federal government enterprises:	
(a)	
(b)	
.....	
(s)	
Sub-total	
51. Transfers from provincial governments:	
(a)	
(b)	
.....	
(s)	
Sub-total	
52. Transfers from provincial government enterprises:	
(a)	
(b)	
.....	
(s)	
Sub-total	
53. Transfers from local governments:	
(a)	
(b)	
.....	
(s)	
Sub-total	
54. Transfers from local government enterprises:	
(a)	
(b)	
.....	
(s)	
Sub-total	
Total, specific purpose transfers	
Total, transfers	
Total, gross general revenue	

Table 2. Gross General Expenditure

1. General government:	
(a) Executive and legislative	
(b) Administrative	
(c) Contributions to trustee and pension payments from non-trusteed public service pension plans	
(d) Other	
Sub-total	
2. Protection of persons and property:	
(a) National defence	
(b) Courts of law	
(c) Correctional services	
(d) Police services	
(e) Firefighting service	
(f) Regulatory services	
(g) Other	
Sub-total	
3. Transportation and communications:	
(a) Air	
(b) Road	
(c) Rail	
(d) Water	
(e) Telecommunications	
(f) Postal services	
(g) Other	
Sub-total	
4. Health:	
(a) Hospital care	
(b) Medical care	
(c) Preventive services	
(d) Other	
Sub-total	
5. Social welfare:	
(a) Universal pension plans	
(b) Old age security	
(c) Veterans' benefits	
(d) Unemployment insurance	
(e) Family and youth allowances	
(f) Workmen's compensation	
(g) Assistance to disabled, handicapped, unemployed and other needy individuals ¹	
(h) Other	
Sub-total	
6. Education:	
(a) Primary and secondary	
(b) Post-secondary	
(c) Special retraining services	
(d) Other	
Sub-total	
7. Natural resources:	
(a) Fish and game	
(b) Forests	
(c) Mines	
(d) Oil and gas	
(e) Water power	
(f) Other	
Sub-total	

¹ Includes Canada Assistance Plan expenditure.

Table 2. Gross General Expenditure -- Concluded

8. Agriculture, trade and industry, and tourism:	
(a) Agriculture	
(b) Trade and industry	
(c) Tourism	
Sub-total	
9. Environment:	
(a) Water purification and supply	
(b) Sewage collection and disposal	
(c) Garbage and waste collection and disposal	
(d) Pollution control	
(e) Other	
Sub-total	
10. Recreation and culture:	
(a) Recreational facilities	
(b) Cultural facilities	
(c) Other	
Sub-total	
11. Labour, employment and immigration:	
(a) Labour and employment	
(b) Immigration	
(c) Other	
Sub-total	
12. Housing:	
(a) General assistance	
(b) Home buyer assistance	
(c) Real property tax subsidies	
Sub-total	
13. Foreign affairs and international assistance	
14. Supervision and development of regions and localities	
15. Research establishments	
16. General purpose transfers to other levels of government:	
(a) Statutory subsidies	
(b) Federal estate tax	
(c) Federal corporation income tax on privately-owned public power utilities	
(d) Federal tax on corporation undistributed income	
(e) Equalization	
(f) Established Programs (Interim Arrangements) Act	
(g) Grants in lieu of taxes	
(h) Other	
Sub-total	
17. Transfers to own enterprises	
18. Debt charges:	
(a) Interest	
(b) Other	
Sub-total	
19. Other	
Total, gross general expenditure	

Table 3. Financial Assets

1. Cash on hand and desposits:	
(a) Canadian currency:	
(1) Cash on hand	
(2) Cash in chartered banks:	
(i) Demand deposits	
(ii) Term deposits	
(iii) Other deposits	
Sub-total	
(3) Cash in other financial institutions:	
(i) Demand deposits	
(ii) Term deposits	
(iii) Other deposits	
Sub-total	
(b) Foreign currency:	
(1) On hand	
(2) In chartered banks	
(3) In other financial institutions	
Total, cash on hand and desposits	
2. Receivables:	
(a) Taxes	
(b) Interest	
(c) Trade accounts	
(d) Other (excluding above):	
(1) Intergovernment:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local governments	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
Sub-total	
(2) Non-intergovernment	
Total, receivables	
3. Loans and advances to:	
(a) Federal government:	
(1) Short-term	
(2) Long-term	
(b) Federal government enterprises:	
(1) Short-term	
(2) Long-term	
(c) Own provincial government:	
(1) Short-term	
(2) Long-term	
(d) Own provincial government enterprises:	
(1) Short-term	
(2) Long-term	
(e) Other provincial governments:	
(1) Short-term	
(2) Long-term	
(f) Other provincial government enterprises:	
(1) Short-term	
(2) Long-term	
(g) Own province local governments:	
(1) Short-term	
(2) Long-term	
(h) Own province local government enterprises:	
(1) Short-term	
(2) Long-term	
(i) Other province local governments:	
(1) Short-term	
(2) Long-term	
(j) Other province local government enterprises:	
(1) Short-term	
(2) Long-term	

Table 3. Financial Assets - Continued

3. Loans and advances to - Concluded:

(k) Individuals:

- (1) Short-term
- (2) Long-term

(l) Business:

- (1) Short-term
- (2) Long-term

(m) Hospitals (non-government):

- (1) Short-term
- (2) Long-term

(n) Others:

- (1) Short-term
- (2) Long-term

Total, loans and advances

4. Investments:

A. Canadian securities - Short-term:

(a) Federal government:

- (1) Treasury bills
- (2) Savings bonds
- (3) Other

(b) Own provincial government:

- (1) Treasury bills
- (2) Canada savings bonds
- (3) Other

(c) Own provincial government enterprises:

- (1) Guaranteed
- (2) Not guaranteed

(d) Other provincial governments:

- (1) Treasury bills
- (2) Savings bonds
- (3) Other

(e) Other provincial government enterprises:

- (1) Guaranteed
- (2) Not guaranteed

(f) Own province local governments:

- (1) Guaranteed
- (2) Not guaranteed

(g) Own province local government enterprises:

- (1) Guaranteed by own province local government
- (2) Guaranteed by province
- (3) Not guaranteed

(h) Other province local governments:

- (1) Guaranteed
- (2) Not guaranteed

(i) Other province local government enterprises:

- (1) Guaranteed by local government
- (2) Guaranteed by province
- (3) Not guaranteed

(j) Corporations

(k) Other short-term

Total, Canadian securities - Short-term

B. Canadian securities - Long-term:

(a) Federal:

- (1) Canada bonds (excluding savings bonds)
- (2) Other

(b) Federal government enterprises:

- (1) Bonds and debentures
 - (i) Guaranteed by federal government
 - (ii) Not guaranteed

Sub-total

- (2) Capital stock
- (3) Other

(c) Provincial governments:

- (1) Bonds (excluding savings bonds):
 - (i) Own provincial government
 - (ii) Other provincial governments

Sub-total

(2) Other:

- (i) Own provincial government
- (ii) Other provincial governments

Sub-total

Table 3. Financial Assets — Concluded

(d) Provincial government enterprises:	
(1) Bonds and debentures:	
(i) Own provincial government, guaranteed	
(ii) Own provincial government, not guaranteed	
(iii) Other provincial governments, guaranteed	
(iv) Other provincial governments, not guaranteed	
Sub-total	
(2) Capital stock of own provincial government enterprises	
(3) Other:	
(i) Own provincial government	
(ii) Other provincial governments	
Sub-total	
(e) Local governments:	
(1) Bonds and debentures:	
(i) Own province local governments, guaranteed	
(ii) Own province local governments, not guaranteed	
(iii) Other province local governments, guaranteed	
(iv) Other province local governments, not guaranteed	
Sub-total	
(2) Other:	
(i) Own province local governments	
(ii) Other province local governments	
Sub-total	
(f) Local government enterprises:	
(1) Bonds and debentures:	
(i) Own province local government enterprises, guaranteed by own province local governments	
(ii) Own province local government enterprises, guaranteed by own provincial government	
(iii) Own province local government enterprises, not guaranteed	
(iv) Other province local government enterprises, guaranteed by other province local governments	
(v) Other province local government enterprises, guaranteed by other provincial governments	
(vi) Other province local government enterprises, not guaranteed	
Sub-total	
(g) Corporations:	
(1) Bonds and debentures	
(2) Capital stock	
(3) Other	
(h) Hospitals (non-government):	
(1) Bonds and debentures	
(2) Other	
(i) Other long-term:	
(1) National Housing Act mortgages	
(2) Other mortgages and agreements for sale	
(3) Other	
Total, Canadian securities, long-term	
C. Foreign investments	
Total, investments	
5. Other financial assets	
Total, financial assets	

Table 4. Liabilities

1. Borrowings from financial institutions:	
(a) Bank overdrafts	
(b) Other loans and advances from:	
(1) Chartered banks	
(2) Other financial institutions	
Total, borrowings from financial institutions	
2. Payables:	
(a) Matured securities outstanding	
(b) Demand notes outstanding	
(c) Interest	
(d) Trade accounts	
(e) Other (excluding above):	
(1) Intergovernment:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government enterprises	
(iv) Other provincial governments	
(v) Other provincial government enterprises	
(vi) Own local governments	
(vii) Own local government enterprises	
(viii) Other local governments	
(ix) Other local government enterprises	
Sub-total	
(2) Non-intergovernment	
Total, payables	
3. Loans and advances from:	
(a) Federal government:	
(1) Short-term	
(2) Long-term	
(b) Federal government enterprises:	
(1) Short-term	
(2) Long-term	
(c) Own provincial government:	
(1) Short-term	
(2) Long-term	
(d) Own provincial government enterprises:	
(1) Short-term	
(2) Long-term	
(e) Other provincial governments:	
(1) Short-term	
(2) Long-term	
(f) Other provincial government enterprises:	
(1) Short-term	
(2) Long-term	
(g) Others	
Total, loans and advances	
4. Savings bonds, treasury bills and other (short-term):	
Held by:	
(a) Own provincial government	
(b) Own provincial government enterprises	
(c) Other provincial governments	
(d) Other provincial government enterprises	
(e) Own local governments	
(f) Others	
Total, savings bonds, treasury bills and other (short-term)	
5. Bonds, debentures and treasury bills (long-term):	
Issued to:	
(a) Federal government	
(b) Canada Pension Plan	
(c) Own provincial government	
(d) Own provincial government enterprises	
(e) Other provincial governments	
(f) Other provincial government enterprises	
(g) Own province local governments	
(h) Others	
Total, bonds, debentures and treasury bills (long-term)	

Table 4. Liabilities — Concluded

6. Deposits and other liabilities:	
(a) Deposits due to:	
(1) Federal government	
(2) Federal government enterprises	
(3) Provincial governments	
(4) Provincial government enterprises	
(5) Local governments	
(6) Local government enterprises	
(7) Others	
(b) Other liabilities due to:	
(1) Federal government	
(2) Federal government enterprises	
(3) Provincial governments	
(4) Provincial government enterprises	
(5) Local governments	
(6) Local government enterprises	
(7) Others	
Total, deposits and other liabilities	
Total, liabilities	
Excess of financial assets over liabilities	
Liabilities plus excess of financial assets over liabilities	

Table 5. Sources and Uses of Funds

	Surplus or deficit		Receivables or payables		Loans and advances	
	Source	Use	Source	Use	Source	Use
Financial management surplus or deficit for year						
Recoveries and refunds relating to prior years - Net						
Federal government:						
Liabilities						
Assets						
Federal government enterprises:						
Liabilities						
Assets						
Own provincial government:						
Liabilities						
Assets						
Own provincial government enterprises:						
Liabilities						
Assets						
Other provincial governments:						
Liabilities						
Assets						
Other provincial government enterprises:						
Liabilities						
Assets						
Own province local governments:						
Liabilities						
Assets						
Own province local government enterprises:						
Liabilities						
Assets						
Other province local governments:						
Liabilities						
Assets						
Other province local government enterprises:						
Liabilities						
Assets						
Foreign:						
Liabilities						
Assets						
Persons and business:						
Liabilities						
Assets						
Hospitals:						
Liabilities						
Assets						
Unidentified:						
Liabilities						
Assets						
 Net sources and uses of funds during year						
Represented by:						
Change in cash and bank deposits:						
Domestic						
Foreign						
Change in deposits in other Canadian financial institutions						

Table 5. Sources and Uses of Funds

Treasury bills		Bonds and debentures						Other		Total	
		Canada Pension Plan		Savings bonds		Other					
Source	Use	Source	Use	Source	Use	Source	Use	Source	Use	Source	Use

APPENDIX B

Classification Frameworks – Government Enterprises

Table 6. Income and Expenditure

Income	
1. Sales of goods and services	
2. Investments:	
(a) Interest from:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local government	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
(xi) Others	
Sub-total	
(b) Other	
Total, investments	
3. Transfers from governments and government enterprises:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local government	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
Total, transfers	
4. Other	
Total, income	
Expenditure	
1. Cost of sales of goods and services	
2. Interest to:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local government	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
(xi) Others	
Total, interest	
3. Provision for depreciation	
4. Other	
Total, expenditure	

Table 7. Assets, Liabilities and Equity

Assets	
1. Cash on hand and deposits:	
(a) Canadian currency and demand deposits in Canadian chartered banks	
(b) Short-term investments including term deposits in Canadian chartered banks	
(c) Deposits with own government	
(d) Foreign currency and deposits	
Total, cash on hand and deposits	
2. Accounts receivable	
3. Accrued revenue and prepaid expenses	
4. Inventories	
5. Amounts due from governments, government enterprises and others:	
(i) Federal government:	
(1) Interest	
(2) Loans and advances	
(3) On account of deficits	
Sub-total	
(ii) Federal government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(iii) Own provincial government:	
(1) Interest	
(2) Loans and advances	
(3) On account of deficits	
Sub-total	
(iv) Own provincial government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(v) Other provincial governments:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(vi) Other provincial government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(vii) Own local government:	
(1) Interest	
(2) Loans and advances	
(3) On account of deficits	
Sub-total	
(viii) Own local government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(ix) Other local governments:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(x) Other local government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(xi) Others:	
(1) Interest	
(2) Loans and advances	
Sub-total	
Total, amounts due from governments, government enterprises and others	

Table 7. Assets, Liabilities and Equity — Continued

Assets — Concluded	
6. Investments:	
(a) Canadian:	
(i) Federal government:	
(1) Treasury bills	
(2) Bonds	
Sub-total	
(ii) Federal government enterprises:	
(1) Bonds	
(2) Capital stock	
Sub-total	
(iii) Own provincial government:	
(1) Treasury bills	
(2) Bonds	
Sub-total	
(iv) Own provincial government enterprises:	
(1) Bonds	
(2) Capital stock	
Sub-total	
(v) Other provincial governments:	
(1) Treasury bills	
(2) Bonds	
Sub-total	
(vi) Other provincial government enterprises:	
(1) Bonds	
(2) Capital stock	
Sub-total	
(vii) Own local government debentures	
(viii) Own local government enterprises:	
(1) Debentures	
(2) Capital stock	
(ix) Other local government debentures	
(x) Other local government enterprises:	
(1) Debentures	
(2) Capital stock	
(xi) Others:	
(1) Bonds and debentures	
(2) Notes	
(3) Capital stock	
(4) Mortgages and agreements for sale	
(5) Other	
Sub-total	
(b) Foreign	
(c) Unidentified	
Total, investments	
7. Fixed assets	
8. Deferred charges:	
(a) Unamortized bond discounts	
(b) Other	
Total, deferred charges	
9. Other	
Total, assets	

Table 7. Assets, Liabilities and Equity -- Continued

Liabilities	
1. Accounts payable	
2. Accrued expenditure and deferred credits	
3. Amounts due to governments, government enterprises and others:	
(i) Federal government:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(ii) Federal government enterprises:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(iii) Own provincial government:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(iv) Own provincial government enterprises:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(v) Other provincial governments:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(vi) Other provincial government enterprises:	
(1) Interest	
(2) Loans and advances	
(3) Bonds and debentures	
Sub-total	
(vii) Own local government:	
(1) Interest	
(2) Loans and advances	
(3) Debentures	
Sub-total	
(viii) Own local government enterprises:	
(1) Interest	
(2) Loans and advances	
Sub-total	
(ix) Other local governments:	
(1) Interest	
(2) Loans and advances	
(3) Debentures	
Sub-total	
(x) Others:	
(1) Bank loans and overdrafts	
(2) Interest	
(3) Savings deposits due to the public	
(4) Loans and advances	
(5) Bonds and debentures	
(6) Notes	
(7) Mortgages and agreements for sale	
(8) Other	
Sub-total	
Total, amounts due to governments, government enterprises and others	

Table 7. Assets, Liabilities and Equity - Concluded

Liabilities - Concluded	
4. Trust and deposit accounts	
5. Other:	
(a) Contractors' holdbacks	
(b) Miscellaneous	
Total, other	
Total, liabilities	
Equity	
(a) Capital stock held by:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local government	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
(xi) Others	
Total, capital stock	
(b) Interest-free working capital provided by:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Own local government	
(vi) Own local government enterprises	
Total, interest-free working capital	
(c) Fixed assets transferred by:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Own local government	
(vi) Own local government enterprises	
Total, fixed assets transferred	
(d) Other equity held by:	
(i) Federal government	
(ii) Federal government enterprises	
(iii) Own provincial government	
(iv) Own provincial government enterprises	
(v) Other provincial governments	
(vi) Other provincial government enterprises	
(vii) Own local government	
(viii) Own local government enterprises	
(ix) Other local governments	
(x) Other local government enterprises	
(xi) Others	
Total, other equity	
(e) Equity reserves:	
(i) Contingencies including rate stabilization	
(ii) Acquisition of capital assets	
(iii) Insurance	
(iv) Sinking funds	
(v) Other reserves	
Total, equity reserves	
(f) Surplus	
Total, equity	

APPENDIX C

Federal Government Special Funds, Boards and Commissions

1. Special Funds, Boards and Commissions Other than Non-trusted Public Service Pension Plans

Agricultural Revolving Fund
Agricultural Stabilization Board
Airport Revolving Fund
Atlantic Pilotage Authority
Atomic Energy of Canada Limited
Bank of Canada
Canada Council
Canada Pension Plan
Canadian Dairy Commission
Canadian Film Development Corporation
Cape Breton Development Corporation
(The) Company of Young Canadians
Computer Services Bureau Revolving Fund
Defence Construction (1951) Ltd.
Defence Production Revolving Fund
Fisheries Working Capital Advance
Great Lakes Pilotage Authority Ltd
International Assistance Account
Laurentian Pilotage Authority
National Arts Centre Corporation
National Battlefields Commission
National Capital Commission
National Capital Fund
National Film Board
Old Age Security Fund
Pacific Pilotage Authority
Passport Office Revolving Fund
Prairie Farm Emergency Fund
Race Track Supervision Revolving Fund
Railway Grade Crossing Fund
Surplus Crown Assets
Unemployment Insurance Fund

2. Non-trusted Public Service Pension Plans

Canadian Forces Death Benefits Account
Canadian Forces Superannuation Account
Members of Parliament Retiring Allowances
Public Service Death Benefits Account
Public Service Superannuation Account
Supplementary Retirement Benefit Account
RCMP Superannuation Account

APPENDIX D

Federal Government Enterprises

Air Canada
Canada Deposit Insurance Corporation
Canada Development Corporation
Canadian Arsenal Limited
Canadian Broadcasting Corporation
St. Clair River Broadcasting Ltd.

Canadian Commercial Corporation
Canadian National Railway System
Canadian National Railways
Newfoundland Ferry and Terminal
Prince Edward Island Car Ferry and Terminal
Yarmouth - Bar Harbour Ferry

Canadian National (West Indies) Steamships Limited
Canadian Overseas Telecommunication Corporation
Canadian Patents and Development Limited
Canadian Saltfish Marketing Corporation
The Canadian Wheat Board
Central Mortgage and Housing Corporation
Crown Assets Disposal Corporation
Eldorado Aviation Limited
Eldorado Nuclear Limited
Export Development Corporation
Farm Credit Corporation
Fresh-water Fish Marketing Corporation
Industrial Development Bank
National Harbours Board
Northern Canada Power Commission
Northern Transportation Company Limited
Polysar Limited
Polysar Plastics Ltd
Royal Canadian Mint
The St. Lawrence Seaway Authority
The Seaway International Bridge Corporation Limited
Trent Rubber Services Limited
Uranium Canada Limited

APPENDIX E

Provincial Government Special Funds, Boards and Commissions

1. Special Funds, Boards and Commissions Other Than Non-trusted Public Service Pension Plans

Newfoundland

Bell Island Hospital Building Corporation Limited
Board of Commissioners of Public Utilities
Board of Liquor Control Building Corporation Limited
College of Fisheries, Navigation, Marine Engineering and Electronics
Co-operative Development Loan Board of Newfoundland
Corner Brook Hospital Buildings Corporation
Corner Brook Housing Authority
Corner Brook Housing Corporation
Farm Development Loan Board
Feed Mill Building Company Limited
Fish Buildings Limited
Fisheries Loan Board of Newfoundland
Gander Hospital Corporation Limited
Grace Hospital Extension Corporation Limited
Grand Falls Hospital Corporation Limited
Industrial Development Loan Board of Newfoundland
Memorial University of Newfoundland Building Corporation Limited
Mooring Cove Building Company Limited
Motor Vehicle Accident Security Account
Newfoundland and Labrador Computer Services Limited
Newfoundland and Labrador Rural Electricity Authority
Newfoundland Farm Products Corporation
Newfoundland Government Building Corporation Limited
Newfoundland Industrial Development Corporation
Newfoundland Medical Care Commission
Newfoundland Municipal Financing Corporation
Northern Hospitals Building Corporation Limited
Nurses' Training School Building Corporation Limited
Pepperrell Hospital Reconstruction Corporation Limited
Property Loss Reserve Fund
Public Accountants' Licensing Board
Public Libraries Board
Rural development Authority
St. John's Infirmary Building Corporation Limited
Teachers' Educational Loan Board
Teachers' Housing Loan Board
Technical College Building Corporation Limited
Unsatisfied Judgment Fund
Vocational Schools (Western) Building Corporation Limited
Workmen's Compensation Board

Prince Edward Island

Centennial Commission
Georgetown Shipyard Operation
Health Services Commission
Hospital Services Commission
Industrial Development Fund
Insurance Reserve Fund
Malpeque Oyster Cultures Inc.
Natural Products Marketing Board
Prince Edward Island Crop Insurance Agency
Prince Edward Island Crown Building Corporation
Prince Edward Island Housing Authority
Prince Edward Island Laboratory Council
Prince Edward Island Land Development Corporation
Prince Edward Island Lending Authority
Unsatisfied Judgment Fund
Workmen's Compensation Board

Nova Scotia

Board of Commissioners of Public Utilities
Community Pasture Board
Crop Insurance Fund
Industrial Development Board
Industrial Expansion Fund
Industrial Loan Fund
Inverness Recreation and Playground Fund
Nova Scotia Housing Commission
Nova Scotia Research Foundation

Nova Scotia Resources Fund
Special Reserve Account
Universities Assistance Fund
Unsatisfied Judgment Fund
Water Supply System Fund
Workmen's Compensation Board

New Brunswick

Board of Commissioners of Public Utilities
Community Improvement Corporation
Farm Adjustment Board
Fishermen's Loan Board
Government House Trust Fund
Margaret R. Lynds Bequest
New Brunswick Higher Education Commission
New Brunswick Research and Productivity Council
Provision for Matching Grants and Guarantees
Verna MacDonald Bequest
Viscount Bennett Bequest
Workmen's Compensation Board

Quebec

Agricultural Marketing Bureau
Central Quebec Industrial Park Corporation
Centre de recherche industrielle du Québec
Farm Credit Bureau
Le Grand Théâtre de Québec
Minimum Wage Commission
Office for the Prevention and Treatment of Alcoholism and Other
Toxicomanias.
Outaouais Development Corporation
Quebec Broadcasting Bureau
Quebec Crop Insurance Board
Quebec Deposit Insurance Board
Quebec Health Insurance Board
Quebec Housing Corporation
Quebec-Lévis Ferry Company
Quebec Municipal Commission
Quebec Pension Board
Quebec Real Estate Development Corporation
Syndicat national du rachat des rentes seigneuriales
Workmen's Compensation Board

Ontario

Alcoholism and Drug Addiction Research Foundation
Fund for Milk and Cream Producers
Housing Corporation Limited
Industrial Vacation Claims
Motor Vehicle Accident Claims Fund
Niagara Parks Commission
Northern Ontario Development Corporation
Ontario Crop Insurance Fund
Ontario Development Corporation (Centralia Industrial Park)
Ontario Education Capital Aid Corporation
Ontario Educational Communications Authority
Ontario Junior Farmer Establishment Loan Corporation
Ontario Land Acquisition Corporation
Ontario Municipal Improvement Corporation
Ontario Place Corporation
Ontario Research Foundation
Ontario Student Housing Corporation
Ontario Transportation Development Corporation
Ontario Universities Capital Aid Corporation
Workmen's Compensation Board

1. Special Funds, Boards and Commissions Other Than Non-trusted Public Service Pension Plans - Concluded

Manitoba

Communities Economic Development Fund
 Corporative Loans Guarantee Board
 Co-operative Promotion Board
 Fire Insurance Reserve Fund
 Fire Prevention Fund
 Land Titles Assurance Fund
 Manitoba Agricultural Credit and Development Corporation
 Manitoba Centennial Centre Corporation
 Manitoba Crop Insurance Corporation
 Manitoba Export Corporation
 Manitoba Health Services Commission
 Manitoba Lotteries Commission
 Manitoba School Capital Financing Corporation
 Milk Control Board
 Reserve for War and Post-War Emergencies
 School Districts Reserve Fund
 Unsatisfied Judgment Fund
 Workmen's Compensation Board

Energy Resources Conservation Board
 Environment Conservation Authority
 Horned Cattle Purchases Act Trust Account
 Land Titles Assurance Fund
 Motor Vehicles Accident Claims Fund
 School Foundation Program Fund
 Wheat Board Money Trust Account
 Workmen's Compensation Board

British Columbia

Accelerated Park Development Fund
 Accelerated Reforestation Fund
 Agricultural Aid to Developing Countries and World Disaster Fund
 Beef Cattle Producers' Assistance Fund
 Bond Redemption Accounts
 British Columbia Cultural Fund
 British Columbia Ferry Authority
 British Columbia Government Building Fund
 British Columbia Regional Hospital Districts Financing Authority
 British Columbia Research Fund
 British Columbia School Districts Capital Financing Authority
 Burrard Inlet Fund
 Capital Improvement District Fund
 Community Recreational Facilities Fund
 Crop Insurance Accounts
 Crop Insurance Stabilization Fund
 Dairy Producers' Protection Fund
 Dog Tax Fund
 Drug, Alcohol and Cigarette Education, Prevention and Rehabilitation Fund
 First Citizens' Fund
 Grazing Range Improvement Fund
 Green Belt Protection Fund
 Housing and Redevelopment Fund
 Land Registry Assurance Fund
 Motor-Vehicle Act Special Fund
 Physical Fitness and Amateur Sports Fund
 Pound District Act Account
 Power and Telephone Line Beautification Fund
 Provincial Home Acquisition Fund
 Provincial Land Acquisition Fund
 Provincial Major Disaster Fund
 Provincial Research and Economic Studies Fund
 Sealing Fund
 The Over-all Medical Services Plan of British Columbia
 University Endowment Land Administration Account
 Workmen's Compensation Board

Yukon

Yukon Housing Corporation
 Road Equipment Development Account

Northwest Territories

Northwest Territories Housing Corporation

Saskatchewan

Agricultural Research Foundation
 Cattle Check-off Trust Account
 Farm Start
 Government Finance Office
 Horned Cattle Purchaser Trust Account
 Land Titles Assurance Fund
 Milk Control Board
 Saskatchewan Crop Insurance Board
 Saskatchewan Diamond Jubilee and Canada Centennial Corporation
 Saskatchewan Hospital Services Plan
 Saskatchewan Housing Corporation
 Saskatchewan Human Rights Commission
 Saskatchewan Land Bank Commission
 Saskatchewan Medical Care Insurance Fund
 Saskatchewan Municipal Financing Corporation
 Saskatchewan Research Council
 Student Aid Fund
 Wildlife Development Fund
 Workmen's Compensation Board

Alberta

Alberta Agricultural Development Corporation
 Alberta Alcoholism and Drug Abuse Commission
 Alberta Art Foundation
 Alberta Hail and Crop Insurance Corporation
 Alberta Health Care Insurance Commission
 Alberta Hospital Services Commission
 Alberta Municipal Financing Corporation
 Alberta Racing Commission
 Alberta Resources Railway Corporation

2. Non-trusted Public Service Pension Plans

Newfoundland

Members of the House of Assembly Pension Account
Public Service Pension Fund
Teachers' Pension Fund

Nova Scotia

Members Retiring Allowances Accounts

New Brunswick

Ministers' and Members' Superannuation Fund
Teachers' Superannuation Fund

Quebec

Civil Service Superannuation Fund
Members of the National Assembly Superannuation Fund
Teachers' Superannuation Fund

Ontario

Legislative Assembly Retirement Allowances Account
Public Service Superannuation Fund

Manitoba

Legislative Assembly Retirement Allowance Fund

Saskatchewan

Public Service Superannuation Plan

Alberta

Local Authorities Pension Act
Members of the Legislative Assembly Pension Act
Public Service Pension Act

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APPENDIX F

Provincial Government Enterprises

Newfoundland

Division of Northern Labrador Services
Elizabeth Towers Limited (subsidiary of St.
John's Housing Corporation)
Harmon Corporation
Hotel Buildings Limited
Labrador Linerboard Limited
Marystown Shipyard Construction Limited
Newfoundland and Labrador Housing
Corporation
Newfoundland and Labrador Power Commission
Newfoundland Fibreply Limited
Newfoundland Liquor Corporation
Power Distribution Districts of Newfoundland
and Labrador
St. John's Housing Corporation

Prince Edward Island

Industrial Enterprises Incorporated
Prince Edward Island Liquor Control Commission

Nova Scotia

Deuterium of Canada Limited
Halifax — Dartmouth Bridge Commission
Industrial Estates Limited
Keltic Lodge
Nova Scotia Liquor Commission
Nova Scotia Power Commission
Pines Hotel, Digby
Sadney Steel Corporation (SYSCO)

New Brunswick

New Brunswick Development Corporation
New Brunswick Electric Power Commission
New Brunswick Housing Corporation
New Brunswick Liquor Control Commission

Quebec

General Investment Corporation of Quebec
Handicraft Centre
James Hay Development Corporation
Louvem Mining Company Incorporated
(subsidiary of SOQUEM)
Quebec Autoroutes Authority
Quebec Deposit and Investment Fund
Quebec Hydro-Electric Commission (Hydro-
Quebec)
Quebec Industrial Development Corporation
Quebec Liquor Corporation
Quebec Mining Exploration Company (SOQUEM)
Quebec Petroleum Operations Company
(SOQUIP)
Quebec Wood Salvage Logging and Forest
Development Company (Rexfor)
Quebec Sugar Refinery
Sidbec
Société d'exploitation des loteries et courses de
Québec (Loto-Québec)

Ontario

Hydro-Electric Power Commission of Ontario
Liquor Control Board of Ontario
Ontario Food Terminal Board
Ontario Housing Corporation
Ontario Northland Transportation Commission
Ontario Stock Yards Board
Province of Ontario Savings Office
Star Transfer Limited (subsidiary of Ontario
Northland Transportation Commission)

Manitoba

Loaf Rapids Corporation (subsidiary of Manitoba
Development Corporation)
Liquor Control Commission of Manitoba
Manitoba Development Corporation
Manitoba Forestry Resources Ltd
Manitoba Housing and Renewal Corporation
Manitoba Hydro-Electric Board
Manitoba Public Insurance Corporation
Manitoba Telephone System
Manitoba Water Services Board

Saskatchewan

Province of Saskatchewan Liquor Board
Saskatchewan Economic Development Corporation
Saskatchewan Forest Products
Saskatchewan Fur Marketing Service
Saskatchewan Government Insurance Office
Saskatchewan Minerals
Saskatchewan Oil and Gas Corporation (Sask.
Oil)
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Supply Board

Alberta

Alberta Energy Company
Alberta Government Telephone Commission
Alberta Housing Corporation
Alberta Industrial Corporation
Alberta Investment Fund
Alberta Liquor Control Board
Alberta Opportunity Company
Treasury Branches Deposits Fund

British Columbia

British Columbia Cellulose Company
British Columbia Harbours Board
British Columbia Hydro and Power Authority
British Columbia Petroleum Corporation
British Columbia Railway Company
Insurance Corporation of British Columbia
Liquor Control Board of British Columbia
Ocean Falls Corporation

Yukon

Liquor Control

Northwest Territories

Northwest Territories Liquor Control System

APPENDIX G

TABLE 1. Reconciliation of Gross General Revenue with Revenue on a National Accounts Basis

Item	Financial management system	System of national accounts					
		Direct taxes		Indirect taxes	Other current transfers from persons	Transfers from other levels of government	Investment Income
		Persons	Business				
Gross general revenue							
Add							
1. Personal income tax collections allocated to Provincial Tax Collection Agreement Account.....							
2. Corporation income tax accruals.....							
3. Transfers from other levels of government as per system of national accounts.....							
4. Remitted profits of the Post Office and the Bank of Canada and unremitted profits of liquor boards.....							
5. Contributions of governments as employers to the non-trusted pension plans and social insurance programs which they operate							
6. Other additions							
Total additions.....							
Deduct							
7. Federal payments of personal income tax.....							
8. Corporation income tax collections.....							
9. Transfers from other levels of government as per financial management system.....							
10. Revenue of the Post Office and the Bank of Canada							
11. Proceeds from sales of land and used fixed assets.....							
12. Proceeds from sales of goods and services.....							
13. Revenue of universal pension plans.....							
14. Other deductions.....							
Total deductions.....							
Total revenue on a national accounts basis.....							

TABLE 2. Reconciliation of Gross General Expenditure with Current Expenditure on a National Accounts Basis

Item	Financial management system	System of national accounts				
		Purchases of goods and services	Transfer payments to			Other
			Persons*	Business	Other levels of government**	
Gross general expenditure						
Add						
1. Depreciation (capital consumption allowance as per system of national accounts).....						
2. Contributions of governments as employers in the non-trusted pension funds and social insurance programs which they operate						
3. Other additions						
Total additions						
Deduct						
4. Health care expenditure of workmen's compensation boards						
5. Purchases of land and used fixed assets						
6. Purchases of new fixed assets						
7. Proceeds from sales of goods and services						
8. Expenditure of The Post Office and the Bank of Canada						
9. Expenditure of universal pension plans						
10. Other deductions						
Total deductions						
Total current expenditure on a national accounts basis						

* Identification by footnote of interest on the public debt.
 ** Identification by footnote of transfers to hospitals.

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68-505 The Canadian System of Government Financial Management Statistics, O., E.

Federal Government Statistics

- 68-211 Federal Government Finance, A., E. and F.
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Provincial Government Statistics

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Local Government Statistics

- 68-203 Local Government Finance - Revenue and Expenditure - Preliminary and Estimates, A., E.
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68-505 A Review of Conferences on Municipal Finance Statistics, 1937-66, O., E.
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A Financial Information System for Municipalities:

- 12-532 Volume I. General Introduction, O., E. and F.
12-533 Volume II. The Classification Systems, O., E. and F.
12-534 Supplement to Volume II. Pro Forma Statements, O., E. and F.

Q. - Quarterly A. - Annual O. - Occasional E. - English F. - French Bil. - Bilingual

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